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THE CLIENT-ARCHITECT RELATIONSHIP:
CORPORATE REAL ESTATE NEEDS CHALLENGE TRADITIONAL ROLES

by

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Bachelor of Architecture, 1988
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Submitted to the Department of Architecture
in Partial Fulfillment of the Requirements for the Degree of

MASTER OF SCIENCE
in Real Estate Development

at the

Massachusetts Institute of Technology

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ABSTRACT

Two major business trends have recently tested U.S. companies' ability to compete: fierce global competition and a U.S. economy that has been mired in a mode of no or slow-growth. Downsizing or reengineering has been the focus of many companies' efforts to become more competitive. Many companies are now relying upon third-party consulting firms for a growing number of their services, a practice commonly known as "outsourcing." This practice has enabled some companies to cut costs, focus on their core businesses, and operate with greater flexibility. The outsourcing phenomenon has cut across business functions, among them information services, operations, and real estate.

Important to this work is the fact that some corporations have begun linking their real estate and business decisions; they have begun to exploit real estate's "strategic" value. The growing corporate appreciation for real estate's strategic value means that outsourced assignments in this arena are increasingly focused on strategic objectives as well as more traditional cost-cutting measures or external functions. As the 1990s unfold, companies will increasingly call upon third-party architectural firms for assistance in planning and implementing many of these strategic projects.

This thesis examines changing corporate real estate objectives and describes their impact on corporate demand for architectural services. Theories for adapting to the changes that have appeared in recent journal articles and academic literature are identified. These form the basis for investigating and analyzing how three architectural firms have adapted to the changing corporate demands and handled recent strategic assignments.

Architects have historically played an important role in helping corporations realize many of their tactical real estate objectives. Architects must adapt both their organizations and collaborative techniques in order to successfully handle their corporate clients' strategic real estate objectives. By doing so, they will maintain a hold on the changing corporate market for third-party consulting services.

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TABLE OF CONTENTS

Chapter 1: Statement of Purpose	6
Introduction	6
Adapting to Meet Clients' Needs	7
Chapter Summary	8
 Chapter 2: Opportunities and Challenges	10
Business Trends and Outsourcing	10
A New Real Estate Objective	14
Adapting to Meet Clients' Needs	19
Collaborative Techniques	20
Engagement Evaluation	22
 Chapter 3: Field Investigations	24
Selection of Research Sites	24
Methodology	25
 Case #1: ABC Design and Construction	25
ABC's Early Strategic Work	27
Representative Assignment:	
• Merged Accounting Firm Offices	28
Engagement Activity	31
Engagement Evaluation	34
Going Forward: Plans to Reposition the CMC	35
 Case #2: Crackerjack Architects	37
Adapting to Meet Clients' Needs	39
Representative Project:	
• Clothing Etc. National Headquarters	43
Engagement Activity	45
Engagement Evaluation	50
 Case #3: A & E Design Associates	51
Adapting to Meet Clients' Needs	52
Representative Assignment:	
• East Coast Insurance Corporation	56
Engagement Activity	58
Engagement Evaluation	60

Chapter 4: Analysis of Field Data61
Case #1: ABC Design and Construction63
Case #2: Crackerjack Architects.....63
Case #3: A & E Design Associates66
Case Study Variables Matrix.....69
Case Study Cross Comparison.....70

Chapter 5: Conclusion.....75

References.....79

CHAPTER 1: STATEMENT OF PURPOSE

Introduction

Over the last decade two major business trends have tested U.S. companies' ability to compete: fierce global competition and a U.S. economy that seems mired in a mode of no- or slow-growth. Corporations have struggled to find ways to cope with these challenges. In an effort to become more competitive, some corporations have "outsourced" some or all of their services in a variety of corporate functions. Outsourcing, according to Gloria Schuck, is defined as "the purchase of professional real estate consulting advice or services by corporations."¹ This practice has enabled companies to cut costs, focus on their core business activities, and operate with greater flexibility.

One area that has received much attention is corporate real estate. Important to this work is that some companies simultaneously have begun to exploit real estate's "strategic" value. These companies have found that their real estate assets are an important resource which can be managed to support their core business activities; they are now linking their real estate and business decisions. One result of the growing corporate appreciation for real estate's strategic value is that outsourced assignments are increasingly focused on supporting strategic objectives.

As the 1990s unfold, companies will call upon architects for assistance in planning and implementing many of these strategic projects. Architects have historically played an important role in helping corporations realize many of their tactical real estate objectives. The focus of tactical work, however, is generally limited to meeting immediate facilities needs and controlling costs.² Strategic assignments tend to be more complex, require more client and user input, and involve non-traditional skills in their planning and implementation. If architects are to exploit growing corporate

¹Gloria Schuck, "Outsourcing in the 1990s: Managing Corporate Real Estate Consultants," Massachusetts Institute of Technology Working Paper, June, 1991, p. 2.

²Michael Joroff et al, "Strategic Management of the Fifth Resource: Corporate Real Estate," The Industrial Development Research Foundation (IDRF), 1993

demand for third-party consulting services related to strategically-focused assignments, they must adapt to collaborations that are appropriate to these new service objectives. This thesis documents recent changes in corporate demand for architectural services; illustrates and analyzes how three different architectural firms have adapted to handle strategic assignments; and summarizes research findings. To the extent that the firms studied are representative of the issues facing architects serving corporate clients, the findings will help both architects and corporations in their attempts to better establish productive and mutually beneficial working relationships.

Adapting to Meet Clients' Needs

Perhaps the most compelling reason for architects to adapt to changing corporate real estate needs is that corporations represent an important source of architects' business. Corporations became a growing source of architects' work when, beginning in the 1960s, firms adapted their services to meet corporate needs. These services, according to Robert Gutman, a noted author on architectural practice, included maintenance cost estimates, post-occupancy evaluations, and building diagnostics.³ At the behest of their corporate clients, some architectural firms also began offering interior and facade design services. Many firms that added these design specializations to their repertoire of services focused on office interiors, while others specialized in retail design. Although this work was complementary to architects' traditional task of designing entire buildings, it did require that architects adapt to new roles. Gutman noted that these changes represented, "a definite break with the nineteenth century and modernist traditions which centered architectural interest on the total building product and its functionality."⁴ Breaking with tradition by adding interior and facade design services to a firm's repertoire of design services usually proved to be a good business decision. Decorating facades and designing repetitive modular offices in large office buildings for well-heeled corporate clients who paid their bills on time

³Robert Gutman, "Architectural Practice: A Critical View" (Princeton: Princeton Architectural Press), 1988, p. 13.

⁴Robert Gutman, "Architectural Practice: A Critical View" (Princeton: Princeton Architectural Press), 1988, p. 13.

generated important fee revenue for practitioners. Gutman observed that, “interior space is also replaced much more frequently than the building shell and facades. It therefore offers the possibility of repeat work, which generally results in bigger profits.”⁵

Because demand for new commercial buildings has been virtually non-existent in recent years, and appears likely to remain low for the remainder of the decade,⁶ interiors and other projects commissioned by corporations are important business opportunities many architects must exploit. As corporations becoming increasingly focused on real estate’s strategic value, a growing number of these assignments will have strategic objectives. Architects will need to employ non-traditional skills and assume new roles in order to successfully handle this new work and maintain their hold on the corporate market. Jean Gorman emphasized this point in her article “Business As Usual?”:

*In the wake of corporate restructuring and reduced facilities staffs, clearly what corporate clients are looking for in architects and designers are partners who understand their businesses as well as (if not better than) they do.*⁷

Chapter Summary

Chapter Two, *Opportunities and Challenges*, discusses the current business climate faced by U.S. companies and how it has affected their business practices. Specifically, it focuses on changing corporate real estate objectives and describes their impact on demand for architectural services. The chapter identifies strategies guiding higher-level real estate decision-making and discusses their impact upon architectural practice. The chapter concludes with a summary of theoretical models for corporate client-consultant collaboration.

⁵Robert Gutman, “Architectural Practice: A Critical View” (Princeton: Princeton Architectural Press), 1988, p. 13.

⁶William Wheaton, “The U.S. Real Estate Market: An Economic Outlook for the 1990s,” Massachusetts Institute of Technology Center for Real Estate, 1993.

⁷Jean Gorman, “Business As Usual,” Interiors, February 1994, p. 35.

Chapter Three, *Field Investigations*, provides a brief description of case-study site selection criteria and research methodology. It presents data from three architectural firms that have adapted to handle strategic assignments outsourced by corporations.

Chapter Four, *Analysis of Field Data*, evaluates the manner in which the architectural firms have adapted to handle strategic assignments. The analysis draws upon material presented in Chapter 2.

Chapter Five, *Conclusion*, summarizes the findings and draws conclusions about recent trends in corporate client-architect collaborations.

CHAPTER 2: OPPORTUNITIES AND CHALLENGES

The trend towards corporations viewing their real estate assets as an important strategic resource presents opportunities and challenges for architects. Architects stand to gain important business as corporate demand for third-party consulting services on strategic assignments grows. The challenge many architects and firms face, however, is the need to employ non-traditional skills and assume new roles in order to successfully handle these assignments.

This section provides an overview of why and how companies' views towards their real estate assets have changed. It discusses the impact of changed corporate real estate objectives upon architects and architectural practice and concludes by providing a foundation for analyzing how architects and their firms have adapted. This chapter will:

- Synthesize understanding of business forces that have caused companies to re-evaluate their real estate strategies;
- Identify strategies that guide higher-level real estate decision-making;
- Explain different ways architects are positioning their organizations to accommodate strategic assignments; and
- Present collaborative models for tactical and strategic assignments.

Business Trends and Outsourcing

In an effort to compete in an environment of fierce global competition and slow U.S. economic activity, corporate America is re-examining and redesigning its business practices. "Top managers all across the corporate landscape are installing corrective programs: shifting the emphasis of their strategy to be more innovative; reallocating resources to their core businesses, the things they presumably do better than anyone else; and focusing on

operational improvements in quality, customer responsiveness, and costs.”⁸

Real estate has been the focus of many corporate corrective efforts. Firms are increasingly recognizing that real estate asset management has considerable bearing on a firm’s overall financial performance and, if done effectively, any cost reductions go directly to profit. The recent attention corporate real estate has received is not surprising in light of the fact that, next to payroll, real estate is corporate America’s biggest expense. “Total occupancy costs that companies incur from their real property constitutes between 5% and 8% of companies’ gross sales, which can translate into half of their net income (Bell, 1987).”⁹ Real estate is significant not only in terms of operating expenses, but also in terms of sheer asset value. Of the \$8.777 trillion total value of U.S. real estate stock, 19% or some \$1.699 trillion is owned by corporations.¹⁰ This amount represents nearly one-quarter of all corporate assets in the United States today (Zeckhauser and Silverman, 1983).

In scrutinizing their real estate assets, corporations initially focused on reducing occupancy expenses. The elimination of redundant real estate holdings caused by corporate downsizing is representative of these efforts. International Business Machines Corporation’s (IBM) real estate strategy is a notable example of this phenomenon. In 1993, after taking \$28 billion in write-offs over the previous six years, the once venerable IBM looked to trim \$7 billion in expenses over a two-year period—\$1.8 billion of this amount was overhead reductions.¹¹ Once a company with a “no-layoffs” policy, by the early 1990s IBM had shed well over 100,000 jobs. In 1991, it occupied 44 million square feet in buildings located throughout the United States. By December, 1993, IBM had reduced its inventory of U.S. real estate holdings to 38 million square feet. In March, 1994, IBM planned to eliminate an

⁸Andrall E. Pearson, “Corporate Redemption and the Seven Deadly Sins,” Harvard Business Review, May-June 1992, p. 65.

⁹Steven L. Duckworth, Realizing the Strategic Dimension of Corporate Real Property Through Improved Planning and Control Systems, The Journal of Real Estate Research, Fall 1993, p. 496.

¹⁰Anonymous, “Managing the Future: Real Estate in the 1990s, A Study for the Institute of Real Estate Management Foundation,” Arthur Andersen Real Estate Services Group, 1991, p. 7.

¹¹Jack Lyne, IBM’s Lee Dayton: “Occupancy Costs Key as Big Blue Tries to Bounce Back,” Site Selection, December 1993, p. 1332.

additional 38,000 jobs¹² and reduce its U.S. real estate inventory by an additional 40%. Although most space was eliminated through staff reductions, IBM improved space utilization and efficiency by consolidating pared-down departments into underutilized facilities. Employing this and other approaches, IBM succeeded in reducing remaining employees' occupancy by 21%.¹³

In the first quarter of 1994, although the U.S. economy was emerging from recession and companies were beginning to prosper, announcements of job cuts were more numerous than ever. Some economists attributed the situation to the sharp drop in inflation since the 1980s. Peter L. Bernstein, an economist and consultant noted that, "In this inflation-conscious era, many companies cannot raise prices so easily, so they are quicker to cut labor costs to try to maintain profitability. The fear is that if they do not, then competitors will, here and abroad, and gain room to under-price them."¹⁴ In March, 1994, "economists predicted that the number of job cuts announced [in 1994] could well exceed the 615,000 announced cuts [in 1993] as tallied by Challenger, Gray & Christmas."¹⁵ In mid-1994, it appeared that corporations would endeavor to remain competitive by emphasizing worker productivity over increased employment.

Many corporate real estate (CRE) departments also fell victim to corporate downsizing efforts despite their primary role in facilitating occupancy reductions. Not to be confused with facilities departments, CRE departments are charged with the responsibility of acquiring, managing, and disposing of corporate real estate assets. Many CRE departments in companies that have downsized now operate with significantly reduced staffs. Some companies have eliminated their CRE departments altogether, vesting key responsibility for real estate services with outside providers. Many CRE

¹²Louis Uchitelle, "Job Extinction Evolving Into A Fact Of Life In U.S.," The New York Times, March 22, 1994, Sec. A, p. 1.

⁶Jack Lyne, IBM's Lee Dayton: "Occupancy Costs Key as Big Blue Tries to Bounce Back," Site Selection, December 1993, p. 1333.

¹⁴Louis Uchitelle, "Job Extinction Evolving Into A Fact Of Life In U.S.," The New York Times, March 22, 1994, Sec. A, p. 1.

¹⁵*Ibid.*

departments that remain are outsourcing traditional real estate tasks and focusing on aligning their companies' real estate and business strategies; they are building new skill sets and abandoning activities that are not central to their companies' core businesses. In some cases, corporations are outsourcing their real estate services even when their CRE department possesses the resources and inclination to perform them internally. This is a result of the quality revolution: CRE departments have come under pressure from their companies to outsource real estate services for which they are not the "highest value" provider—a specified real estate service for the lowest cost.

A popular method used by corporations to identify the highest value provider is known as benchmarking: the process by which a CRE department compares the value of its services to those of third-party service providers and real estate operations at other companies. Real estate services that are vital to supporting a firm's core business are usually the only exception to outsourcing practices. "For example, location is critical to the success of a fast food restaurant chain."¹⁶ Under these circumstances, a fast food chain's CRE department might handle site feasibility analysis and acquisition even though it may not be the low-cost provider.

Corporations realize that they can become more competitive by outsourcing some or all of their real estate services. Outsourcing has enabled many companies to cut costs, focus on core business activities, and operate with greater flexibility. Benefits like these have sparked an increase in outsourcing activity. In 1993, one survey indicated that, of 46 corporate real estate managers surveyed, 96 percent were using the same or a larger number of consultants than they were in 1991.¹⁷

¹⁶Jane Adler, "Benchmarking Proves to be Effective Tool for Cost- and Quality-Conscious Times," National Real Estate Investor, May 1994, p. 76.

¹⁷Larry B. Kimbler and Ronald C. Rutherford, "Corporate Real Estate Outsourcing: A Survey of the Issues," The Journal of Real Estate Research, Fall 1993

A New Real Estate Objective

Some progressive corporations that initially focused on trimming real estate costs subsequently developed a deeper appreciation for real estate's value. They began viewing their real estate assets as an important component in their firms' portfolio of strategic resources. These companies recognized that, by linking their real estate and business strategies, they could cope more effectively with global competition and the sluggish U.S. economy.¹⁸ They developed new real estate strategies for supporting their work processes; remaining flexible in a fast-changing business environment; and realizing other business objectives. Many companies that employed some of these new real estate strategies became more competitive. Today, "a corporation's real estate—its land buildings, and work environments—is a powerful resource whose strategic value is just emerging."¹⁹

Hugh O. Nourse and Stephen E. Roulac identified eight strategies that guide higher-level real estate decision-making in their article "Linking Real Estate Decisions to Corporate Strategy" that appeared in the Fall 1993 *Journal of Real Estate Research*.²⁰ They are summarized as follows:

1. *Occupancy Cost Minimization.* All decisions are cost effective for the quality space sought, but the strategy considered here emphasizes the search for the lowest cost decision. One example is locating back office bank operations in remote low-cost places. Because these are often operated around the clock, employee security and comfort is an important consideration, but utilizing expensive prime downtown space in major cities for these functions is unnecessary.

¹⁸Michael Joroff et al, "Strategic Management of the Fifth Resource: Corporate Real Estate," The Industrial Development Research Foundation (IDRF), 1993, p. 11.

¹⁹*Ibid.*, p. 11.

²⁰Hugh O. Nourse and Stephen E. Roulac, "Linking Real Estate Decisions To Corporate Strategy," *The Journal of Real Estate Research*, Fall 1993, pp. 480-82.

2. *Facility Flexibility.* Decisions about the construction, design, or maintenance of facilities are made on the basis of their impact upon future transactions (Nourse, 1992). For example, the life cycle of a particular product would determine whether special purpose buildings are constructed for ease of future adaptability or maximum resale value.
3. *Promote Human Resource Objectives.* Facilities are carefully located near a firm's workforce, amenities, and complementary facilities. Well-made locational decisions enable firms to retain skilled workers.
4. *Promote Marketing Image.* The physical image of the facility may provide a way to advertise and attract attention to the firm's services and goods. Fast food restaurants, for example, frequently have an architectural signature that is readily recognizable to customers.
5. *Promote Sales and Selling Process.* In order to maximize retail sales, stores are located proximate to the center of their markets. Recently, some larger chains have located stores to both enhance sales and take business from competitors.
6. *Facilitate and Control Production, Operations, and Service Delivery.* The facility design, layout, quality, capacity, location, ownership rights, and financing are all combined to achieve greater efficiency or control of operations in alignment with corporate strategy.
7. *Facilitate Managerial Process and Knowledge Work.* Like the layout of a manufacturing plant or a retail store, careful attention is paid to the design of facilities dedicated to knowledge-based work.

8. *Capture the Real Estate Value Creation of Business.* Value created in surrounding property by a company's presence is captured by the company. This strategy includes purchasing surrounding properties in order to profit from increases in value, or obtaining special lease discounts for occupying a particular rental space.

Corporations draw upon a number of resources when identifying, planning, and implementing real estate initiatives that incorporate the strategic objectives identified above. Internal CRE departments that have developed the skills necessary to engage in higher-level real estate decision-making are occasionally tapped to complete part or all of these assignments. Companies and their CRE departments also rely upon a cadre of third-party consultants to assist them in their strategic real estate endeavors. Third-party service providers working on strategic real estate assignments outsourced by corporations include independent consulting firms, brokerage companies, accounting firms, and architectural firms. The number of firms providing these services continues to expand.²¹

Architectural firms consult with corporations on a number of assignments geared towards meeting the strategic real estate objectives identified above. Architects develop strategies for minimizing occupancy costs (1), promoting flexibility (2), promoting marketing image (4), promoting sales and selling processes (5), facilitating and controlling production, operations, and service delivery (6), and facilitating managerial process and knowledge work (7). Sometimes these assignments are expanded to include facility design. Architects also assist corporations in making facility location decisions that promote human resource objectives (3).

Alternative officing is a tangible example of strategic real estate initiatives on which architects regularly collaborate with corporations. New office concepts are going beyond traditional office solutions that focus solely on the physical environment by emphasizing more effective use of a company's spatial, human, technological, and administrative resources.

²¹Gloria Schuck, "Outsourcing in the 1990s: Managing Corporate Real Estate Consultants," Massachusetts Institute of Technology Working Paper, June, 1991, p. 3.

Corporations view alternative officing as an approach to lower occupancy costs, raise employee productivity and morale, reduce employee commuting time and mileage, and promote new knowledge and team-based work. Architects help clients to clarify their objectives, examine their work practices, and develop alternative office strategies that enhance a company's operational effectiveness. One architectural firm that provides alternative office consulting services notes that alternative office concepts fall under three broad categories:²²

Reengineered Space	<i>Work Schedule.</i> Flexible employee schedules. <i>Modified Office Standards.</i> Refined standards to improve productivity and efficiency.
On Premise Options	<i>Shared Space.</i> Two or more employees sharing single, assigned workspace. <i>Group Address.</i> Designated group or team space for specified period of time. <i>Activity Settings.</i> Variety of work settings to fit diverse individual or group activities. <i>Free Address.</i> Workspace shared on a first-come, first-served basis. <i>Hoteling.</i> Reserved workspaces.
Off Premise Options	<i>Satellite Office.</i> Office centers used full time by employees closest to them. <i>Telecommuting.</i> Combination of home-based and office workspace. <i>Remote Telecenter.</i> Office center located away from main office, closer to clients; workers can access technology and support. <i>Virtual Office.</i> Freedom to office anywhere, supported by technology.

²²Anonymous, "Alternative Officing," HOK Facilities Consulting Report, No. 1, p. 3.

Alternative office strategy assignments, by nature, lack definition at the time architects' services are solicited. Unlike tactical office space planning assignments, one of the biggest difficulties architects face working on strategic assignments is providing clients firm estimates of how much time—and expense—is involved in developing an appropriate office design solution. On tactical space planning assignments corporations—usually represented by their CRE departments—seek to develop expedient solutions to clearly defined problems. When outsourcing this work, most corporations solicit service proposals by circulating a request for proposal (RFP) among pre-qualified architectural firms. Generally, the RFP clearly defines the assignment's scope of work, duration, and contract terms. In a familiar process, architectural firms study the requirements contained in the RFP and submit service proposals. Corporations review the service proposals and select a firm. The two parties then negotiate a final agreement and sign a service contract. Alternative officing solutions are highly customized to suit each company's work practices, culture, and objectives. These factors yield an infinite number of combinations of office concepts that are highly assignment-specific and make fee calculations difficult, if not impossible.

Alternative office strategies are challenging assignments for architects. First, every project is custom-tailored to the specific needs of the business unit(s) being served. Only by carefully listening to clients and learning and analyzing their work processes can architects formulate successful alternative office strategies. Both the architect and client must guard against relying on a particular office solution or solutions merely because they are familiar. Second, additional three-dimensional drawings, models, and even full-scale office mock-ups may be required to adequately explain to clients and users the design of unfamiliar alternative offices. Third, the skills required to plan and implement alternative office strategies are diverse. A company's senior management, users and third-party management consultants, architects, behaviorists, technology consultants must all participate in developing a successful alternative office strategy. Franklin Becker, a noted expert on the subject of alternative workplace strategies observed that:

*Just as the perfect automobile as a piece of technology cannot perform well without a system of well-understood rules for driving and well-engineered roads, the perfect office cannot be created without simultaneously designing physical, technical, social, and organizational systems that are in harmony.*²³

Finally, and perhaps most challenging of all, architects must convince their clients of the costs associated with this detailed and time-consuming planning and design process. Developing successful alternative office strategies are valuable business opportunities for architectural firms only if they are adequately compensated for their efforts. Architects must educate their corporate clients about the difference between providing architectural services on a traditional tactical space planning assignment and orchestrating a process as complex as the one described above.

Adapting to Meet Clients' Needs

As demonstrated by the alternative officing example presented above, strategic assignments can be very complex. Generally, the skill set that is required to handle strategic assignments is more diverse than the set used on most tactical assignments. In order to cope with these requirements, architectural firms have employed different strategies for increasing the number of skills they possess internally. They have:

- Hired new staff with non-traditional backgrounds in fields as diverse as organization and operations analysis, human factors and behavioral research, policy and strategic planning, financial analysis, and computer technology;
- Provided design staff formal and informal training in areas such as business, time management, computer technology, public speaking, and marketing; and

²³Franklin Becker, "Managing Space Efficiently: Non-Territorial And Universal Plan Offices," Property Management, Vol. 10, No. 3, p. 232.

- Vertically integrated by purchasing consulting companies that have specialized practices applicable to handling strategic assignments.

In some cases, architectural firms have formed within their organizations separate units that focus exclusively on strategic assignments outsourced by corporations. Sometimes these units operate autonomously, responsible for their own marketing, human resource, and operating functions.

In addition to expanding their own internal skill sets, some architectural firms have handled complex strategic assignments by forming associations with a wide range of third-party consultants. These include real estate brokers, financial experts, technology specialists, behavioral researchers, and others. As noted above, the need for some of these services on a regular basis has prompted some firms to vertically integrate by acquiring consulting firms.

Collaborative Techniques

Strategic assignments are more challenging than tactical assignments not only because non-traditional skills are required to complete them, but because architects must also assume a non-traditional role in the collaboration process. How should architects handle strategic assignments? Review of Edgar Schein's book Process Consultation, Volume I, yields important insights. Schein notes that there are three models of consultation:²⁴

- Expertise
- Doctor-Patient
- Process Consultation

In the Expertise model, the client identifies a specific need. The client, lacking the internal resources, time, or inclination engages an outside consultant expert to satisfy the need. In the Doctor-Patient model, the client identifies symptoms of a problem and hires a consultant to make a diagnosis of the problem. The final model, Process Consultation, is characterized by the

²⁴Edgar H. Schein, Process Consultation, Volume I, (Reading, MA: Addison-Wesley), 1988, p. 5.

consultant guiding a client through a highly interactive process that results in improvement. The consultant raises the client's awareness and teaches problem-solving skills in an effort to get the organization to solve its own problems. Schein defined Process Consultation as follows:

*The manager defines a need for improvement; the consultant engages the client in activities to help perceive, understand, and act upon process events in the organization in order to improve the situation as defined by the client.*²⁵

Gloria Schuck expanded on Schein's definition:

*The starting premise is that the company will eventually know best how to solve the problem, but doesn't know how to use its resources, or needs someone to create a process or framework for solving the problem. The consultant is the facilitator, and skilled in the arts of listening and inquiry (asking the right questions).*²⁶

Consulting engagements can be viewed as a hierarchy of objectives to be achieved. On architectural projects, the "Expertise" and "Doctor-Patient" are the most frequently encountered consultation models. These may be appropriate for tactical projects having objectives 1 through 4, indicated in the table that follows. According to Schuck, the "Process Consultation" model is more appropriate for strategic projects having objectives 5 through 8.

²⁵Ibid., p. 5.

²⁶Gloria Schuck, "Outsourcing in the 1990s: Managing Corporate Real Estate Consultants," Massachusetts Institute of Technology Working Paper, June, 1991, p. 7.

HIERARCHY of SUPPLIER PURPOSES ²⁷	
Demand	Objective
Strategic	8. Improve Organizational Effectiveness 7. Facilitate Client Learning 6. Build Consensus and Commitment 5. Assist Implementation
Tactical	4. Provide Recommendation 3. Conduct Diagnosis that may Redefine Problem 2. Provide Solution to a Given Problem 1. Provide Requested Information

As the corporate real estate function becomes more focused on strategic goals, management will require more process consultation services. By definition, process consultation requires mutual client-architect learning and a different service relationship.

Engagement Evaluation

At every stage of an assignment, the architect has opportunities to learn whether the client is satisfied. It is particularly important for architects to seek feedback on strategic assignments because of the attendant ambiguity and high level of client-architect interaction that exists during the strategic engagement process. Schuck notes, however, that these opportunities are not exploited to their full potential, especially after the assignment is completed:

*Unfortunately, the evaluation is seldom done in a thoughtful, probing and explicit way. Evaluation requires reflection, and reflection is generally not the strong suit of action-oriented managers and consultants. Managers quickly move on to the next project and consultants quickly move on to the next client and project.*²⁸

²⁷Arthur N. Turner, "Consulting is More Than Giving Advice," Harvard Business Review, Vol. 60, No. 5, (September-October 1982), p. 122.

²⁸Gloria Schuck, "Outsourcing in the 1990s: Managing Corporate Real Estate Consultants," Massachusetts Institute of Technology Working Paper, June, 1991, p. 14.

Summary

This chapter presented an overview of how and why corporations are, in growing numbers, viewing their real estate assets as an important strategic resource. As corporations transform real estate's role, outsourced assignments will be increasingly focused on supporting strategic objectives. Architects and their firms must adapt if they are to successfully handle this new work. The foregoing analysis forms the basis for evaluating how architectural firms have adapted to handle their new strategic assignments. Chapter Three presents data from three architectural firms and how they have coped with their corporate clients' changing real estate objectives.

CHAPTER 3: FIELD INVESTIGATIONS

Chapter 3 presents data on three architectural firms that provide services on strategic and tactical assignments outsourced by corporations. The data collection procedures were designed to accomplish two research objectives. The first objective is to analyze how each firm has adapted to handle strategic assignments outsourced by corporations. The second objective is to compare handling of strategic assignments across similar firms.

Three architectural firms were chosen for research: a vertically integrated company that provides architecture, engineering, and construction services (design/build); a full service architectural firm; and a vertically integrated architecture/engineering (A/E) firm. To protect the identity of these firms, the design/build firm is called ABC Design and Construction," the full-service architectural firm is called "Crackerjack Architects," and the A/E firm is called "A/E Design Associates." Each firm's organizational structure and the manner in which it has adapted to meet the strategic service needs of corporate clients are discussed. One example of a strategic assignment completed by each firm is presented for the purpose of illustrating how each firm has handled a recent strategic assignment. In all cases, the identity of clients, companies, locations, and individuals have been disguised.

Selection of Research Sites

In addition to providing services on strategic and tactical assignments outsourced by corporations, the following attributes are common to the three sites:

1. *Artistic Emphasis.* The firm carefully balances artistic objectives and pragmatic design considerations.
2. *Firm Size.* The firm has more than 500 employees and operates from more than 10 locations. Moreover, the firm practices architecture internationally.

3. *Established Reputation.* The firm has been in business for more than 20 years and is respected by clients and peers.
4. *Ownership Structure.* The firm is privately held.

Choosing similar architectural firms controls for extraneous intervening variables. Thus, the research benefits from a tighter comparison of the three firms. Although data from three firms is not sufficient to render authoritative insights about all architectural firms, it does provide a pilot perspective on how a narrowly-defined segment of the architectural profession has adapted to handle strategic assignments outsourced by corporations. Moreover, the selected approach allows the thesis to test general strategic service arrangement principles in a defined setting.

Methodology

Multiple telephone interviews were conducted with executive-level representatives from each firm. The same series of questions was posed to the primary contact at each firm. Follow-up questions necessary for elaboration or clarification varied slightly from site to site. Copies of written documentation about each firm and its representative strategic assignment were gathered whenever possible.

CASE #1: ABC DESIGN AND CONSTRUCTION

Founded in 1928, ABC Design and Construction (ABC) was a privately held organization that provided a broad range of engineering, architecture, planning, construction, operations, and real estate development services. The firm's U.S. and international customers came from diverse businesses including aerospace, aviation, transportation infrastructure, manufacturing, and myriad commercial services. The firm also worked for the United States government and foreign governments.

ABC performed every imaginable combination of design, management and construction services on a dizzying array of projects. An abbreviated project list included commercial and institutional facilities, corporate

headquarters, aerospace flight simulation and control centers, highways, bridges, water and waste water treatment plants, public transit systems, marine facilities, and prisons. In addition, the company provided technical expertise to the U.S government on the U.S. Embassy Improvement Program, various communications centers, and an IRS Regional Service and Operations Center.

ABC developed a reputation for delivering projects on time and within budget. It was clear that client satisfaction drove much of ABC's growth. By 1994, 85% of the company's work was for repeat clients and its staff had swelled to over 5,000. ABC employed engineers, architects, planners, interior designers, scientists, program managers, construction managers, constructors, economists, and specialists in finance, computer science, real estate, and many other areas. These professionals worked out of 35 offices located throughout the United States.

All facility design functions were carried out by ABC's Architecture Business Segment. The Architecture Business Segment's 850 employees included architects, engineers, interior designers, planners, landscape architects and administrative staff. The Architecture Business Segment was headquartered in St. Louis, Missouri and had regional offices located in eight major cities around the country. Prior to 1993, The Architecture Business Segment was organized around distinct disciplines, e.g., architecture, interior design, programming, engineering, etc. In 1993, it was reorganized around five "Market Centers" that included Aviation, Institutional, Commercial, Government, and Justice. These changes were made to provide Architecture Business Segment the flexibility to respond quickly to changes in demand for facility design services and to more effectively serve ABC's diverse clientele.

Each Market Center was headed by a Director, and permanently staffed by between 4 and 12 market area specialists comprising marketers, "seller-doers," and project leaders. Market Centers drew additional staff, on an as-needed basis, from a group of approximately 250 architects and engineers with the Architecture Business Segment's "A/E Operations Group." These individuals were not assigned to a particular Market Center.

Corporate assignments outsourced to ABC were handled by the Architecture Business Segment's Commercial Market Centers (CMCs) located in St. Louis as well as offices in the southeastern, northeastern, and western

United States. The St. Louis CMC's Director and four market area specialists had backgrounds in interior design and architecture. Although the St. Louis CMC was small, in 1993 it generated \$5 million in fee revenue by handling projects for approximately 12 blue-chip corporations as well as approximately 20 mid-sized service companies located primarily within Missouri and adjacent states. It accomplished this work by drawing heavily on the Architecture Business Segment's and, more generally ABC's, resources.

ABC's Early Strategic Assignment Work

The CMC became involved in its first strategic assignment in 1988. On this job, the CMC helped a large national accounting firm—an important repeat client—align their space needs with their evolving business plan. CMC programmers and other staff assisted the accounting firm in its decision-making process by preparing a space needs assessment plan and simultaneously working with a national real estate consulting company that had been hired by the client to perform lease analysis services. According to the CMC Director, the project grew in scope and complexity when the client's business plan suddenly—and unexpectedly—changed:

“[The assignment] just sort of boomeranged when [the accounting firm] merged with [another large national accounting firm]. Then [the newly merged accounting firm] really had a situation where they had two locations in most cities and, as soon as they could, they wanted to consolidate into one location.”²⁹

The merger complicated the original effort for three reasons. First, it changed the business plan the client had provided ABC as the basis for its facilities planning efforts. Therefore, most of ABC's work on the assignment became obsolete. Second, the scope of the project expanded considerably as the merged accounting firm sought to consolidate operations. Third, the accounting firm that merged with ABC's client had its own architect and real estate consultant on board. The client solved these problems by redefining

²⁹CMC Director, ABC Design and Construction, interview by author, August 2, 1994.

the assignment's scope and dividing responsibilities between the two merged accounting firms' architect-real estate consultant teams.

The CMC Director noted that important lessons were learned through completing this job. First, ABC realized that the CMC would occasionally have to work with outside consultants to complete some strategic assignments despite the breadth and depth of its technical resources. Another lesson noted by the Director was the importance of developing long-term client relationships:

"The key was [the accounting firm] contacted us [because] we knew so much about their organization and didn't have to go through a learning curve; we could serve them faster and more effectively."³⁰

Representative Assignment: Merged Accounting Firm Offices, Chicago, IL

Exactly how important it was for ABC to develop long-term client relationships became apparent in March, 1991 when the merged accounting firm (MAF) sent ABC a request for proposal to plan an alternative officing strategy for its 1,350 employee Chicago location. The RFP included the prospective client's broad objectives: reduce operating costs, consolidate three offices into one location, and create a workplace environment in which all employees felt equal. MAF also wanted to explore an unassigned office concept called "hoteling." MAF's accountants and consultants spent considerable time on site with clients instead of in their own offices. By allowing employees to reserve offices on an as-needed basis, MAF would need fewer offices to support the same number of employees. Hoteling, MAF believed, would yield space and cost savings over conventional office schemes.

During the designer selection process, ABC submitted to MAF a fee proposal and description of how they would structure the project if hired to do the job. ABC proposed to give the CMC responsibility for administering the project and designing the workplace environment. Moreover, the CMC would coordinate the efforts of ABC's engineers and systems integration staff and an outside consultant known for his work in psychosocial behavior.

³⁰CMC Director, ABC Design and Construction, interview by author, August 10, 1994.

ABC's engineers and systems integration staff would plan office mechanical systems and develop the technological solutions necessary for the hoteling scheme, respectively. The psychosocial consultant would analyze the psychosocial implications of the hoteling concept on MAF's organization.

ABC was subsequently "short-listed" and asked by MAF to appear before its architect selection committee. At their presentation, ABC showed MAF several preliminary office hoteling design concepts that they had prepared based upon the limited information in the RFP. MAF liked ABC's design concepts, but was more impressed by ABC's emphasis on the role technology would play in the completed project; the CMC Director believed that it was ABC's ability to develop the technological solutions necessary for a successful hoteling scheme that swayed MAF into selecting ABC for the job.

Contract negotiations went smoothly until the subject of fee came up. According to the CMC Director, MAF wanted to structure part of the fee based upon costs for a tactical space planning job:

"There was this reverting to 'oh—well, programming can only cost \$0.25 a square foot.'"³¹

ABC was reluctant to accept this fee arrangement because alternative officing assignments are more complex than tactical space planning jobs. ABC was concerned that MAF's proposed fee structure might not be adequate to cover the labor costs associated with completing the assignment.

As with most alternative officing assignments, organizational change drove the MAF assignment. Therefore, ABC began their work by analyzing the impact of the organizational change on the affected business units' space needs and work processes. MAF's facility and officing strategies were developed based upon this analysis. This process is commonly known as "strategic facilities planning." The CMC Director noted that the strategic facilities planning phase, which she referred to as "the thinking period":

³¹Ibid.

“...is more critical, takes longer, addresses more issues, and involves more creativity [than preparing a program for a traditional space planning project]. Typically, on a [tactical assignment], a lot of decisions have already been made.”³²

Preparing a strategic facilities plan typically involved considerable effort from expensive senior-level staff. The CMC Director commented on why senior-level people did most of the work on this initial phase of the project:

“This kind of thinking requires experience. Clients know that. They’re experiencing it in their own businesses because their clients are saying to them, ‘we want senior people.’ It’s definitely becoming the requirement that senior level people work on the initial thinking phase of a project...well, a senior person can cost well over \$100 an hour, and that’s where the dilemma goes because it pushes the fee right up. There’s this hole in terms of the correlation between [actual costs] and peoples’ thinking [about what the fee ought to be].”³³

ABC ultimately settled upon a lump-sum fee that was established along traditional lines (i.e., cost per square foot). The CMC Director noted that, in doing so, the firm accepted considerable risk because it did not know what the client’s decision-making process or participation level would be. These were the most critical factors in influencing how efficiently ABC would be able to complete the strategic plan. A better way of handling the fee, according to the CMC Director, would have been to establish an hourly fee for the strategic facilities planning phase. A fixed fee for the subsequent phases, e.g., programming, design, and construction administration, would be negotiated upon completion of the strategic facilities plan.

³²CMC Director, ABC Design and Construction, interview by author, July 21, 1994.

³³CMC Director, ABC Design and Construction, interview by author, August 2, 1994.

Engagement Activity

CMC senior staff and the psychosocial consultant hired by ABC began work with MAF in April, 1991. Initially, the architects attended weekly meetings with MAF's Chicago office Managing Partner and an Executive Committee comprising executives from the Chicago office as well as MAF's mid-west region Managing Partner. MAF's senior executives were very involved at the beginning of the job because they drove the organizational change and had embraced office hoteling as a way of making it work. Moreover, as the CMC Director explained:

"Senior people have more experience, they have a sense of the business as a whole and what things might impact the business—positively or negatively. They also have more vision in terms of the future."³⁴

Over a period of several weeks, the CMC worked closely with the senior executives to resolve many "big-picture" matters. These included developing growth projections, discussing alternative office concepts, and analyzing the impact of hoteling upon MAF's Chicago office culture. The team also formulated real estate strategies, identified design approaches that would eliminate a sense of hierarchy, and discussed the "image" the client wished to express through architecture, individual workstations, and technologies such as computer networks, telecommunications, and computerized office reservation systems. Developing individual workplace standards was also the focus of considerable team effort. The CMC Director felt that participation by senior executives in the strategic planning process gave ABC "the incentive to push the edges."³⁵

In May, 1991, the architect team continued to collect data through field visits during which a number of "bed checks" were performed to determine when and to what extent staff were in the office. They also familiarized themselves with MAF's computer systems and held employee group sessions in which they explored questions like, "what is a day in the life of [an

³⁴CMC Director, ABC Design and Construction, interview by author, August 10, 1994.

³⁵Ibid.

accounting professional] like?" and "how do you learn?" Group sessions were organized both by department and seniority level. Employees were asked about their work processes although, according to the CMC Director, ABC was careful about using this information:

"On a strategic assignment, we can not rely on [a junior or mid-level employee] to say, 'oh yeah, in a year I'm really going be working this way,' because I think it's an issue of change being difficult for people. They are involved in how they're doing [their work] now, and not always looking forward. I think [the architect] needs to be dealing with the visionaries in the company who are willing to say, 'we are going to do this and we know it is going to be a radical change for our people. It's going to be hard for them to adjust and we are going to deal with that the best way that we can,' forward-thinking people who are willing to force change. I think that is a very critical difference [from a tactical space planning job]."³⁶

The job of preparing staff for the impending changes fell to MAF's human resources staff. During the data collection period, they held extensive informational and training sessions for employees who would be affected by the new workplace concept.

The architects completed data collection in early June, 1991. CMC Staff verified data by organizing and presenting the information to MAF's Chicago office Managing Partner and the Executive Committee. Following verification, data were analyzed by CMC employees. This process occurred over a three week period; it included a statistical analysis of office occupancy data to determine the optimal number of offices and workstations. The CMC developed several office hoteling schemes based on the results of their analysis. The architects presented the options to the group of senior executives in late June, 1991. The CMC Director recalled the process:

³⁶CMC Director, ABC Design and Construction, interview by author, July 21, 1994.

“It was helping them walk through some operational issues: ‘okay now, if we do this, it is going to mean that you’re going to have to function a little differently,’ all that sort of thing.”³⁷

The group settled on one of the options after discussing how each supported individual work processes and MAF’s overall operations.

Individual offices and a workstation were subsequently mocked-up to determine the best layouts and sizes. All staff had the opportunity to walk through the mocked-up offices and workstation and make comments and suggestions. Decisions about how large each space would be were based upon what was learned from this exercise. ABC determined the total square footage of the space by multiplying the number of offices and workstations by their respective sizes and adding a factor for circulation and storage.

As the design progressed, the client-architect team studied overall space planning and other design issues by building a larger mock-up that included several Partner’s offices, Manager’s offices, and workstations. Sample furniture, carpet, glass, and other finish materials were installed for selection purposes. Once again, staff had the opportunity to walk through the mock-up and make comments and suggestions. The mock-up gave the client-architect team the opportunity to see the overall office scheme and make additional design refinements. In speaking about the mock up, the CMC Director noted that, “it was really a laboratory.”³⁸ By late July, 1991 most of the physical design issues were settled.

Because of the assignment’s tight schedule, ABC immediately began preparing construction contract drawings and specifications. They were also involved in other activities during the construction document production period. One of the most important was setting up a pilot of the office technology systems; it included computer networks, telecommunications, and computerized office hoteling reservation systems. Systems integration specialists out of ABC’s Arlington, Virginia office helped set up the pilot that would eventually be used for staff training. The CMC Director recalled that, in addition to being used for training purposes, the pilot was used to build

³⁷CMC Director, ABC Design and Construction, interview by author, August 10, 1994.

³⁸Ibid.

consensus among staff:

“[The pilot] got buy-in by a lot of the technology people in [MAF] Chicago. [In addition,] they used kids—recent graduates—to actually do some of the wiring of the [pilot] and so they [also] got real buy-in from people at a very entry level.”³⁹

ABC completed MAF’s Chicago office construction contract documents in October, 1991. A one-month long contract bidding process led to MAF’s selecting a contractor and, shortly thereafter, construction activity.

During construction, ABC oversaw the contractor’s work and assisted MAF in preparing employees for the futuristic new office. Most of ABC’s efforts were focused on training MAF’s employees in the use of the office’s advanced technology. The CMC Director discussed the process:

“There was a lot of communication with task forces and with the folks who would be living in the space to inform, educate, and bring them along. As the project was under construction, that sort of thing started to happen so that, at move-in, people would be familiar with the systems.”⁴⁰

Construction was completed in May, 1992. Staff moved into the space shortly thereafter.

Engagement Evaluation

The CMC Director believed that it was incumbent upon ABC to establish, at the outset of an assignment, a close working relationship with the client’s point of contact and to engage that person in “good dialogue and frank discussions.”⁴¹ Later, when asked how she knew whether MAF was satisfied during and after the engagement period, the CMC Director explained:

³⁹Ibid.

⁴⁰Ibid.

⁴¹CMC Director, ABC Design and Construction, interview by author, July 21, 1994.

“I think the only way you ever know that—just like any relationship—is how it feels, and how the communication is going during the process and then, to some extent, after. But after everybody goes on their merry way; they live in the space and you go off and do other things. I guess it could be said that, in general, MAF was happy because they continue to call on us.”⁴²

One of the challenges the CMC design team faced on MAF’s Chicago office project was that the engagement activity period was very compressed; the CMC Director recalled that the CMC had little time to make adjustments in the process.

The managing Partner of MAF’s Chicago office believed the hoteling concept designed by CMC yielded significant occupancy cost savings. The most important benefit, however, was that MAF’s accountants would be spending less time in their own physical offices and more time in clients’ offices. This, the Managing Partner noted, is where accountants should do most of their work.

Going Forward: Plans to Reposition the CMC

By 1994, the CMC had completed several strategic assignments—most of which were alternative office strategy jobs—for corporate clients. These assignments, the CMC Director believed, placed them in the enviable position of having the experience necessary to exploit the growing alternative officing market. One opportunity she saw was pursuing alternative office work for corporations already working with ABC’s other Business Segments. She thought many of these clients would soon be looking for help in developing alternative office strategies and that, given the established working relationship, clients would logically choose the CMC to do the work.

Up until this point, the CMC had handled most of its strategic assignments on an ad hoc basis. The Director knew that several steps had to be taken before the CMC could handle the business opportunities she saw. First, she planned to hire a senior-level person to help the CMC refine its

⁴²CMC Director, ABC Design and Construction, interview by author, August 10, 1994.

marketing strategy and identify specific prospects to whom the alternative officing services would be pitched. The Director sought an architect who had extensive experience in leading clients through the strategic planning process. The ideal candidate would also be current with the business challenges faced by corporations. Second, she planned to hire additional architects and interior designers who were “very versatile.” To the CMC Director, this meant staff had to be good designers, know something about organizational behavior and technology and, most importantly, be “good thinkers.” These were important traits because, during the initial planning phase of an alternative officing strategy assignment, CMC staff had to first analyze and understand a company’s work processes and incorporate that knowledge in its planning and design decisions.

According to the Director, once the CMC was ready, alternative officing services would be marketed directly to client prospects:

“What we want to do is to be able to go and talk to [market prospects] and bring to them sort of a one-stop shop of all of the services that they will need to begin to address the [alternative officing] issue. [This] includes psychosocial consulting, strategic planning—and I would say there are several dimensions to strategic planning. It’s certainly the real estate side; matching their company goals and facility needs, that sort of thing—traditional design services including interior design and architecture, technology and possibly even construction because we are a design/build company. [We want to offer all of these services] so that we can lead people through an analysis process and really guide them through a thought process that they probably haven’t gone through before.”⁴³

The Director planned to put together service teams that could complete any alternative officing assignment by drawing upon ABC’s vast resources, e.g., systems analysts, telecommunication engineers, programmers, and specialists in finance, real estate, and computer science. The final component of the

⁴³CMC Director, ABC Design and Construction, interview by author, July 21, 1994.

CMC's "holistic" strategy was to hire outside help, e.g., psychosocial and management consultants, as needed, to offer clients the full complement of services necessary to perform entire alternative office strategy assignments. The CMC's Director explained why the CMC planned to market these services directly to client prospects:

"Because we're not known for having done a lot of [strategic assignments], we have to go out and initiate [the service relationship]. I think other firms have the benefit of a long history of [doing] corporate work and more work comes to them."⁴⁴

Only 20% of the CMC's strategic assignment work came from bidding on RFPs. Surprisingly, most of the assignments ABC won through a competitive RFP-proposal process were for repeat clients.

The CMC Director planned to begin repositioning the CMC in the fourth quarter of 1994.

CASE #2: CRACKERJACK ARCHITECTS

Crackerjack Architects (Crackerjack) was a privately held employee-owned architectural firm headquartered in San Francisco, California. The firm provided a broad range of services including architecture, interior architecture, building and site evaluation, space programming and planning, product design, facility management, strategic planning, and other building and product design related activities. The firm's 7,000-plus clients came from diverse industries such as high technology, securities and brokerage, insurance, petroleum and gas, and media and communications. Its staff of interior designers and architects planned and designed commercial office spaces and buildings, airports, retail stores, health clubs, restaurants, and hotels. Crackerjack sought to avoid giving clients a Crackerjack artistic look or style, preferring to take a pragmatic approach that focused on satisfying client needs and providing "the best service value."

⁴⁴Ibid.

Founded in 1965, Crackerjack achieved early success and, by 1994, had six-hundred employees in eight regional and nine satellite offices located throughout the United States and abroad. Each office functioned as its own profit center and had administrative staff that performed quality control, staffing, accounting, and finance functions. Marketing efforts were carried out by the individuals who would ultimately be assigned to a particular assignment. According to one Strategic Planner: "All our marketing is done by our professionals. We very strongly believe in 'the people who sell it are the people who do it' [philosophy]."⁴⁵ All of Crackerjack's offices operated with relative autonomy. Corporate support functions performed by headquarters staff were limited to payroll, investment administration, legal, and public relations. This organizational structure enabled Crackerjack to maintain a consistent identity, culture, and level of service quality, and simultaneously custom-tailor its response to the demand for services on a regional basis.

Crackerjack built its business by establishing long-term service relationships with its primarily Fortune 500 clientele. Over 85% of its work was for repeat clients. During the late 1980s and early 1990s, Crackerjack grew as many of its corporate clients restructured, outsourced more work, and expanded their international operations. In 1993, Crackerjack had revenues of \$76 million, representing a 25% increase over 1988 figures. Crackerjack's impressive growth came during a period when most architectural firms were struggling to survive the prolonged recession.

One response to the growth by Crackerjack was the establishment of a strong firm-wide studio system in which staff and resources were grouped by practice area, e.g., airports, entertainment, and emerging practice group (including graphic design, information solutions, and strategic facilities planning). Each studio operated within a regional office, and was responsible for its own business development, staff growth, and quality control. The system gave the firm the option of shifting personnel among studios and offices as necessary to meet job needs. It also provided transferred staff a broader perspective on the firm's operations.

⁴⁵Rob Forest, Crackerjack Architects, interview by author, September 8, 1994.

Adapting To Meet Clients' Needs

According to a Strategic Facilities Planning Group Director, one of Crackerjack's most important operating principles was that, in completing an assignment, a client's business needs had top priority. She discussed the firm's philosophy:

"In the beginning it was [the founder's] vision, based on his experience with clients very early on that, rather than beginning a project from a classical design standpoint, projects are best begun from understanding the business objectives of a client and then developing a design solution that supports the performance of a business."⁴⁶

Given its strong business orientation, Crackerjack was quick to respond whenever its corporate clients' service needs changed. For example, in the early 1980s, Crackerjack began helping clients reassess their facilities strategies as companies stopped viewing bricks and mortar as fifty year assets, but instead as pawns in the leveraged buyout game. According to the Director, corporate thinking towards real estate continued to evolve along business lines and was the impetus behind the formation of Crackerjack's Strategic Facilities Planning Group (SFPG):

"[Becoming involved in strategic planning] was a very market-driven [phenomenon]. Our clients were saying, 'it doesn't do us any good to analyze this to a fair-thee-well from a design criteria standpoint when what we need to focus on are our evolving business structure and defining facilities in a very broad sense in terms of real estate, finance, organizational structure, human resources, and technology.'"⁴⁷

⁴⁶Strategic Facilities Planning Group Director, Crackerjack Architects, interview by author, August 3, 1994.

⁴⁷Ibid.

Crackerjack established the strategic planning discipline in their San Francisco office in 1987. By 1994, Crackerjack had SFPGs operating from three of its offices. SFPGs were routinely involved in a corporate client's decision-making process prior to a commitment by the company to buy, lease, design, or build any facilities. The Groups provided clients direction on how to accommodate business growth, consolidation, or organizational re-engineering from a facilities standpoint. Their objective was to ensure that a corporate client's present and future facilities supported the company's evolving business plan. Crackerjack also sought to help clients lower their occupancy costs and position their organizations to capitalize on opportunities that would increase demand for new products and services.⁴⁸ The SFPGs pursued these objectives by analyzing eight business disciplines:⁴⁹

1. *Occupancy Evaluation.* How efficiently is the company currently using its space? Is there a scheme that would make this usage function more effectively and economically?
2. *Organizational Analysis.* Is the company's organizational structure responsive to the way it creates and delivers its product or service?
3. *Human Resources.* Are the company's personnel being used to their—and management's—best advantage?
4. *Technology.* What is the changing role technology plays in the organization? Are plans adequate to meet business demands?
5. *Real Estate.* Should the company be consolidated in one location or decentralized? Does the company need to renovate, lease new quarters, or build?

⁴⁸Crackerjack Architects' Strategic Facilities Planning Group Brochure.

⁴⁹Ibid.

6. *Economic Analysis.* How does the company finance its projects, and how does life-cycle costing affect the company's return on investment?
7. *Legislation/Regulation.* Are changes in the law affecting the way the company does business?
8. *Workplace Ecology.* Are the organization's workplace standards adequate for the tasks to be performed in them? Do furnishings, materials and finishes meet requirements of performance and environmental safety?

The Director explained why Crackerjack hired highly skilled and experienced individuals to perform this work:

"In strategic planning what we are offering are not production services, but truly consulting expertise. It is a consulting practice, and for that reason [SFPGs] are staffed by senior people."⁵⁰

Although many Strategic Planners came to Crackerjack with degrees in both architecture and business administration, some acquired their business training on the job. In either case, according to the Director, Strategic Planners had to be able to draw upon both design and business skills:

"The basic skill sets involved are understanding facilities from an expertise standpoint—not that you have to build a big database, or build a model, or draw something to understand what you're doing—but that you have planned enough [facilities] to understand, in advance, what the key issues are for a whole variety of building types and you have an organized process by which you clarify the key aspects of the business plan that will influence facilities. That is the design side of it. [A Strategic Planner] must also understand what a senior-level

⁵⁰Strategic Facilities Planning Group Director, Crackerjack Architects, interview by author, August 3, 1994.

decision-maker will need to know and how that decision function occurs within larger and smaller organizations, and what a designer needs to know and when they need to know it in order to be effective.”⁵¹

Finally, Crackerjack’s Strategic Planners were expected to have at least a cursory understanding of real estate, finance, technology, and organizational structure.

In addition to establishing its SFPGs, Crackerjack adapted to the increased complexity of performing strategic assignments by forming strategic alliances with a cadre of outside consultants. The Director explained:

“[Crackerjack] is not a real estate company, yet it has people with real estate backgrounds in some of its offices. It is not a high technology company, although we have people who are good technologists who help us with consulting. We are not tax and audit people, we are not truly finance people, although we have proforma and financial analysis capabilities. So, in order to perform some of these strategic planning consulting assignments, we form strategic alliances. When we do that we are working as partners with specialists from other firms and just as they learn our language we learn theirs.”⁵²

It was Crackerjack’s experience that a prospective client’s level of real estate sophistication influenced the manner in which they went about hiring Crackerjack to work on strategic projects. Very sophisticated clients knew precisely what services they required and identified and articulated those needs in a traditional RFP format. Crackerjack got approximately 30 percent of its strategic work this way. Less sophisticated companies usually relied upon Crackerjack to assist them in identifying their service needs.

⁵¹Ibid.

⁵²Ibid.

Representative Assignment: Clothing, Etc. National Headquarters

In 1985, Clothing Etc., a division of Outerwear International with 430 retail clothing stores nationwide, hired Crackerjack to design interiors and graphics for its 350,000 square foot headquarters in Seattle, Washington. The success of this office project laid the foundation for future business collaborations between Crackerjack and Outerwear International. These included on-going facilities management services for Clothing Etc. and a strategic facilities planning project for one of Clothing Etc.'s sister divisions, Shoe World.

By early 1992, Clothing Etc. was looking to plan a new headquarters that would not only accommodate its tremendous growth, but also improve the performance of its business operations. The project, dubbed "HQ 2000," was headed by Clothing Etc.'s Vice President of Administrative Services, Jane Rogers. Rogers had worked with Crackerjack on Clothing Etc.'s original headquarters. This previous working relationship, combined with her knowledge of Crackerjack's strategic facilities planning work for Shoe World, led Rogers to seek Crackerjack's consultation on Clothing Etc.'s HQ 2000 project. In fact, the success of these previous engagements inspired Rogers to have enough confidence in Crackerjack that she involved them at the earliest stage of the project: developing the company's planning process.

In March, 1992, Rogers contacted Ted Lars to discuss the HQ 2000 project. Lars was a Vice President with Crackerjack's Strategic Facilities Planning Group in San Francisco and had worked with Rogers on Clothing Etc.'s Seattle headquarters. He was Crackerjack's most senior Strategic Planner and had over 15 years' facility planning experience. Lars subsequently enlisted the help of two additional senior-level staff from Crackerjack's Portland, Oregon office: Sally West, a Managing Principal and Rob Forest, a new Strategic Planner with an MBA from a prestigious east coast university. Crackerjack staff worked off and on with Rogers over a one-year period developing Clothing Etc.'s planning process. Their work was relatively informal; it involved one meeting, a few telephone conversations, and several letters. Forest recalled the results of the team's efforts:

“What we developed was a process of a multidisciplinary project team representing the primary functions in the organization to develop a vision of what kind of an environment would support their business most effectively, and then it slowly evolved, in an iterative fashion, into a process that was a hybrid of their thoughts and our traditional [strategic planning] process.”⁵³

Crackerjack took some calculated business risks when they helped Clothing Etc. develop its planning process. Forest explained:

“This was not fee for services, this was just counsel and business development on our part. The cherry was that if we could help them define a process, we could help them implement the [strategic facilities planning] process. If it turned into a project, which could either be a minor reconfiguration, major reconfiguration, or build-to-suit, we could be well-positioned to do that project also.”⁵⁴

Crackerjack’s risk-taking paid off. Clothing Etc. decided to move forward with the project shortly after completing the initial stage.

In March, 1993, Clothing Etc. signed a contract based on Crackerjack’s strategic planning services proposal. Crackerjack initially estimated that the strategic planning phase would be completed within three to four months of beginning work. Anticipating that three to four weeks would be required to “nail down” the project scope, Crackerjack proposed a two-stage fee structure. The plan was for Crackerjack to work on a time and materials basis while the project scope was being defined and a fixed-fee basis after it was defined. According to Forest, however, the project did not go as originally planned:

⁵³Rob Forest, Crackerjack Architects, interview by author, August 11, 1994.

⁵⁴Ibid.

“As it turned out the scope kept changing and we remained on a time and materials basis throughout the remaining part of the project. The fee went well beyond what we had originally anticipated because the scope changed and evolved dramatically as the project went on.”⁵⁵

Crackerjack also indicated in its service proposal that it would retain the services of a real estate consulting firm. This firm would perform economic modeling and analyze, together with Crackerjack, the facility, real estate, human resource, and technology implications of each of the strategic planning scenarios.

Engagement Activity

Crackerjack’s three senior-level employees who had been involved in the initial stage of the HQ 2000 project began strategic planning work in late March, 1993. Crackerjack usually structured its strategic facilities planning assignments around a five-step process: orientation, data collection and analysis, develop preliminary options, refine selected option(s), and develop implementation plan. Strategic planning for Clothing Etc.’s HQ 2000 project loosely followed this process. During the orientation period, Crackerjack’s objective was to learn about Clothing Etc.’s culture, business plan, and strategic objectives. They also sought to establish the scope of work, structure the project, and confirm deliverables. Crackerjack accomplished these objectives on this project by participating in two workshops and holding several interviews with Clothing Etc.’s HQ 2000 Management Committee comprising Rogers, a Strategic Planner, and a Vice President of Finance. Clothing Etc.’s Vice President of Finance was responsible for getting “buy-in” by the company’s Chief Financial Officer (CFO). Forest explained why Crackerjack worked closely with senior executives on strategic assignments:

“It is the very highest level because we are dealing with policy decisions. When you are dealing with real estate positions, configuration of human resources, realignment of human resources, financing alternatives, or the highest level technology

⁵⁵Ibid.

decisions, you have to be dealing at a policy level. It is not an implementation decision, it's a policy decision."⁵⁶

Over a three to four week period, Crackerjack gathered information about Clothing Etc.'s primary strategic objectives and clarified issues on which they heard mixed messages. Crackerjack concluded the orientation period by documenting information about Clothing Etc.'s projected growth, business objectives, product mix, service orientation, cultural human resource objectives and "other things like that." Forest recalled that although this initial phase of the project was brief, Crackerjack continued to learn about Clothing Etc. throughout the strategic planning engagement:

"We were always gaining a better insight into [Clothing Etc.'s] culture, organization, and objectives—and those objectives evolved over the period of time that we worked with them."⁵⁷

By the time the orientation period concluded in late May, 1993, the Management Committee believed that Clothing Etc. should probably construct a new headquarters. Forest noted, however, that the team proceeded into the data collection and analysis stage with open minds and a keen interest in exploring the company's options. One of the options that the team would study was the redevelopment of Clothing Etc.'s existing facility in Seattle.

Using planning criteria established during the orientation period, Crackerjack, their real estate consultant, and Clothing Etc.'s Management Committee identified four cities that would be investigated as potential locations for Clothing Etc.'s new headquarters. Crackerjack and its real estate consultant spent the next three months gathering information about what it would cost to build in Denver, Colorado; Houston, Texas; Durham, North Carolina; and Phoenix, Arizona. They also investigated the costs of redeveloping Clothing Etc.'s Seattle headquarters.

⁵⁶Ibid.

⁵⁷Ibid.

While Crackerjack and the real estate consultant conducted their investigation of potential sites, Crackerjack also gathered data about Clothing Etc.'s work processes and facilitated an open exchange of ideas about the HQ 2000 project. Crackerjack accomplished this by holding interviews with the Management Committee and hosting a workshop with senior managers from throughout the company. The workshop included slides and videos of alternative design concepts and methods of performing work. Their presentation was followed by an interactive discussion during which Crackerjack posed the questions, "what is the nature of work today?," "what is performance in a creative environment?," and "where is work going?" Responses from senior representatives in the areas of real estate, human resources, marketing, financial, strategic planning, retail products, operations, technology, and facilities management were recorded on large sheets of paper pinned to the wall. Crackerjack noted that the purpose of these exercises was to "initiate thought about the future and provoke endless possibilities."⁵⁸

Later in the workshop, participants engaged in a "visioning exercise" to discuss what areas and markets Clothing Etc. would enter in the future. They also discussed other real estate analysis issues. As part of this exercise, Crackerjack posed additional thought-provoking questions: "what does a facility need to be?" and "what's the next generation of the company?" The final part of the discussion led by Crackerjack revolved around the items to be considered to make a real estate decision, as well as what was required to move the process forward. Crackerjack concluded the workshop by familiarizing the group with alternative officing concepts that had the potential to support Clothing Etc.'s work processes more effectively than traditional office schemes. Crackerjack did this by taking the group on a tour of several organizations utilizing innovative work environments.

Crackerjack noted that there were advantages to using workshops as data collection strategy. First, it allowed the group members to hear each others' perspectives about Clothing Etc.'s future, as well as develop, as a team, the information necessary to make sound planning decisions. Second, by facilitating group discussion and gaining consensus on issues in workshops, Crackerjack minimized time-consuming revisions in later stages of the work. Finally, the workshops provided group members a feeling of involvement in

⁵⁸Crackerjack Architects' Company Brochure.

the process and ownership of the final product.

In the third stage of their assignment, Crackerjack focused on analyzing the cost data it had collected relative to redeveloping Clothing Etc.'s Seattle facility and building a new facility in each of the four other cities. Crackerjack and their real estate consultant determined that remaining in Seattle was not the lowest cost decision for Clothing Etc. Their analysis of all five options was subsequently presented to the Management Committee in a workshop format. Forest explained the consensus building that followed:

"It is in these workshops that we facilitate a very challenging dialogue and build some sense of what the team wants to do. It's not like we vote on it formally, but there is communication by each party about what they believe to be the right and wrong strategy."⁵⁹

Forest later noted that it took much longer than Crackerjack originally anticipated to gather data, explore Clothing Etc.'s options, and make the decision to build a new facility:

"It took five months to build consensus to say, 'yes, the right answer is not necessarily to stay where we are. It may be to build a new building.'"⁶⁰

Following Clothing Etc.'s decision to pursue the new facility option, the team decided to make the final location decision in a two-stage process. The first stage involved soliciting proposals to build Clothing Etc.'s headquarters from a pre-qualified developer in each of the four cities. Developers had two months to prepare proposals following their receipt of RFPs in November, 1993. During this period, the team visited each site and analyzed the human resource impact of each city. By early February, 1994, the developers had submitted their proposals to Clothing Etc. The second stage of the team's decision-making process involved selecting two proposals, primarily on the

⁵⁹Rob Forest, Crackerjack Architects, interview by author, August 11, 1994.

⁶⁰Ibid.

basis of cost, and negotiating with the respective developers to secure the best possible deal. This stage was completed in March, 1994 when Clothing Etc. and the developer from Phoenix, Arizona came to a preliminary agreement.

In late March, 1994, Clothing Etc.'s Management Committee recommended that Outerwear International approve the Phoenix developer's proposal. Forest explained that an unforeseen problem led Outerwear International to reject the recommendation:

"[Outerwear International's] stock price dropped 35% within a period of about three months at the very end of this project."⁶¹

Outerwear International believed that, under such conditions, it would be imprudent to make the \$65 million capital outlay necessary to construct a new headquarters for Clothing Etc. Forest explained the direction in which the project headed, and the project's status as of August, 1994:

"We changed directions and decided upon a different strategy. Now we're in a holding pattern where we have to build consensus on how to implement [the new strategy] on a more tactical level relative to the bigger picture."⁶²

The team decided to seek consensus on Clothing Etc. remaining in Seattle with a maximum five-year horizon. Clothing Etc. would lease office space in a building adjacent to its headquarters in order to accommodate growth. Forest noted that the lease would run for five-years and include options for renewal. If Outerwear's financial condition improved during this period, Clothing Etc. new headquarters would be constructed as planned.

⁶¹Ibid.

⁶²Ibid.

Engagement Evaluation

Crackerjack regularly took its clients to lunch in an effort to elicit feedback in a more informal setting. In addition, Crackerjack formally solicited client feedback on a periodic basis. Each client was personally interviewed by the architect in charge of a particular assignment. Interviews comprised five questions:

- What are we doing right?
- What could we do better?
- What should we do differently?
- What should we stop doing?
- Did you get your invoice and does it equate to the value you received?

Forest described Crackerjack's interview method as, "a basic ask the client process" and "the Ed Koch strategy of, 'how am I doing?'"⁶³ Following an interview, the architect-in-charge prepared a report of "interesting feedback" that was shared with all of Crackerjack's Vice Presidents. Forest noted that, "We take action and modify our behavior [in response to clients' comments]."⁶⁴ Forest discussed Crackerjack's response when Clothing Etc. asked the firm to expand its on-site presence:

"We actually moved one of our people from Portland up to Seattle for three or four months. [A strategic planner] actually moved his office into the client's space, had a desk, and lived there and became more a part of [Clothing Etc.'s] organization so that we could start to develop a better understanding of the dynamics of their organization and the real live day-to-day cultural implications of how they worked and how we supported them."⁶⁵

⁶³Ibid.

⁶⁴Rob Forest, Crackerjack Architects, interview by author, September 8, 1994.

⁶⁵Rob Forest, Crackerjack Architects, interview by author, September 8, 1994.

CASE #3: A & E DESIGN ASSOCIATES

A & E Design Associates (A & E) was a privately held multi-disciplinary firm headquartered in Santa Fe, New Mexico. It provided comprehensive facility design services as well as services in a wide range of related disciplines including computer systems planning, facilities management, and development of master plans. The firm's clients included federal, state, and local government agencies; universities and colleges; large and small corporations; real estate developers; hospitals and other health care organizations; and professional sports clubs. Its staff of architects, interior designers, landscape architects, programmers, planners, engineers and other technicians had experience on a wide variety of assignments including commercial office spaces and buildings; airports and other transportation centers; sports complexes; educational facilities; hospitals and clinics; libraries; hotels; and multi-family residential structures. A & E did not target a specific market or clientele, preferring instead to emphasize its flexibility and ability to provide the expertise necessary to handle nearly any assignment from pre-design through construction completion. It even offered post-occupancy facility management services.

Founded in 1955, A & E was among the first U.S. design firms to achieve international success. By 1994, it had over 1,000 employees working in 21 offices in Tokyo, London, Hong Kong, Berlin, and Mexico City as well as 16 locations throughout the United States. Each office was responsible for its own business development, administration, and profitability. Each office was overseen by a Management Committee comprising three Principals in charge of operations, marketing, and design, respectively. Management Committees from all 21 offices reported to the Office of the Chairman located at the firm's headquarters. Centralized functions included human resources, accounting, legal, and public relations and were performed by staff also located at the firm's headquarters.

A & E was organized by discipline into a series of "Divisions." Architecture, Engineering, Interiors, and Planning Divisions were represented in all of A & E's offices around the world. This organizational structure enabled A & E to handle work by functional area and geographic location. A & E also had "Special Divisions" that specialized in a particular

market niche, e.g., Sports Facilities, Aviation Facilities, Land Planning, Educational Facilities, and Building Strategies. Each Special Division worked on projects internationally but generally operated from a limited number of specific offices. For example, A & E's Sports Facilities Division designed sports complexes located in countries around the world yet operated from an office in Houston, Texas. This network of resources and breadth of experience enabled the firm to handle even the most difficult assignments.

Adapting to Meet Clients' Needs

A & E had a history of developing new business by expanding beyond its core facility design services. In 1980, for example, a decision was made to provide programming services which stemmed from the realization that it could help clients identify and clarify user needs prior to beginning the traditional building design process. Why the need for a separate Programming Division to provide pre-design services? The Building Strategies Division Director explained:

"Programming requires an analytic set of skills which results in synthesis rather than a spontaneous generation of ideas—which is design. [They are] different sets of skills."⁶⁶

In the late 1980s and early 1990s, U.S. construction activity all but ceased as the industry suffered the effects of recession and overbuilding. The decline A & E experienced in its facility programming and design business caused the firm to further diversify its line of services. It did this by developing a strategic facilities planning capability. A Building Strategies Division Regional Director explained:

"In 1991, as big buildings weren't being built anymore, [A & E's President] saw the need to branch out into other areas. [We took] advantage of the expertise and reputation we had in programming and developed the strategic planning component.

⁶⁶Director, Building Strategies Division, A & E Design Associates, interview by Author, August 25, 1994.

We did this by bringing in some people from the Programming Division and hiring additional people to form the Building Strategies Division in 1992. It was getting into a peripheral area of services in anticipation of a downturn in a major market that had previously been going well for us.”⁶⁷

A & E’s Building Strategies Division (BSD) was first established in the St. Louis office. By 1994, five offices possessed the discipline. A & E’s BSD sought to create facilities strategies that would contribute to a client-organization’s overall financial and operational success.⁶⁸ They pursued these objectives through seven strategies to increase employee productivity, reduce operating costs, support operational change, and improve asset performance.⁶⁹

1. *Facilities Management Consulting.* Assist an organization’s team charged with the stewardship of facilities by creating more cost effective and responsive systems and practices, including policies and procedures.
2. *Facilities Research.* Build on a foundation of accumulated facilities and workplace improvement data to creatively resolve facilities issues. The research effort is driven by client need and may include benchmarking studies and surveys.
3. *Workplace Improvement.* Examine how people work on a day to day basis, to increase employee satisfaction and productivity, job and space flexibility while controlling occupancy costs.

⁶⁷Regional Director, Building Strategies Division, A & E Design Associates, interview by author, August 3, 1994.

⁶⁸A & E Building Strategies Division Brochure.

⁶⁹*Ibid.*

4. *Accommodation Strategy.* Recommend facilities actions which support an organization's current and future operational needs. Within a context of economic uncertainty, accommodation strategies analyze occupancy, financial and asset management issues to identify a range of scenarios to satisfy business objectives.
5. *Design Guidelines.* Define the functional, aesthetic and image criteria for the ongoing design of one building, a collection of buildings or an organization's entire facility portfolio.
6. *Design Review.* Provide an impartial review of planned facilities to advise clients of design decisions which may be in variance with an organization's objectives and recommends revisions addressing those goals.
7. *Facility Programming.* Establish user needs for the planning of new or renovated facilities. The process determines project specific criteria for the design of a building's core and shell and interior space requirements, and analyzes the functional fit between an existing facility and the people who occupy it.

The BSD was made up of individuals from the management fields of organization and operations analysis, human factors and behavioral research, policy and strategic planning, architecture, financial analysis and computer technology.⁷⁰ A BSD Regional Director explained that people who worked for the BSD were highly experienced, skilled, and bright:

"The Building Strategies Division is not structured like the Architecture or Interiors or Planning Division where you have a limited number of senior people leading a team of intermediate and junior level people with the juniors staying back and doing

⁷⁰Ibid.

a lot of the planning and the learning. There is a lot more one-on-one with the client which requires experience, skill, and an ability to think on your feet. You don't get that with people right out of school."⁷¹

In July, 1994, A & E acquired Connor Associates (Connor), a nationally known programming, strategic planning, and design firm with 250 architects, planners, and programmers. A & E acquired Connor for several reasons. First, it gave A & E geographic presence in several U.S. cities that it did not previously have. Second, Connor held several lucrative government design contracts that A & E wanted. Finally, Connor possessed a strategic planning Division known as the "Advance Planning Group." This Division of 35 professionals offered strategic planning services that were nearly identical to those offered by A & E's BSD; the Connor acquisition nearly doubled BSD's share of strategic planning business. The BSD's Director called Connor's Advance Planning Group "the jewel in the crown."⁷²

In order to handle the increased complexity of some strategic assignments, A & E formed a variety of associations with outside consultants. The BSD Director discussed one example:

"We can provide most of the occupancy work process-based forecasting data on real estate, but when it comes to something like financing real estate or doing very complicated what-if scenarios regarding alternative configurations or locations, then we'll call on somebody who has a real estate finance background. That is an expertise we would not want to build in-house."⁷³

Why didn't A & E want to possess this capability internally? The Director responded:

⁷¹Regional Director, Building Strategies Division, A & E Design Associates, interview by author, August 3, 1994.

⁷²Director, Building Strategies Division, A & E Design Associates, interview by author, August 25, 1994.

⁷³Ibid.

For two reasons. One is we have a very good relationship with those people and it's a mutually supportive relationship. [The second is that] it's not our core competency; it's not what people would come to A & E for. It's something that we can offer in association."⁷⁴

The BSD sought to develop its network of contacts in the real estate industry because referrals were an important source of new business. Other ways the BSD developed new business included making strategic facilities planning presentations at conventions such as those held by the International Facilities Management Association (IFMA) and the Industrial Development Research Council (IDRC). It also exploited A & E's long-term service relationships. Combined, these three forms of business development accounted for approximately 90% of BSD's work. The remainder, only 10%, came from responding to RFPs.

Representative Assignment: East Coast Insurance Corporation

East Coast Insurance Corporation (ECIC) was a provider of two insurance products with a client base in the Eastern United States. It was headquartered in Hartford, Connecticut and had 25 regional offices east of the Mississippi River. In the early 1990s, ECIC was losing business to lower-cost insurance providers. Its strategy of getting business by offering exceptional customer service had lost some of its effectiveness. The company's steps towards becoming more competitive started with cost-cutting and progressed to the development of a new business plan.

ECIC had historically handled its facilities planning on an incremental, as-needed basis. As a result of the company's revised business plan, however, Alan Jones, ECIC's Director of Corporate Real Estate, believed that a more proactive approach was required. He wanted to maximize the use of ECIC's facilities and integrate its real estate and business strategies by developing a long-range strategic facilities plan. Jones was a forward-thinking professional who had clout within the ECIC organization: his recommendation to develop

⁷⁴Ibid.

a long-term strategic facilities plan was promptly approved by ECIC's CEO.

The fact that ECIC had never developed a strategic facilities plan before prompted Jones' decision to seek outside help. He solicited strategic planning service proposals from consultants by circulating an RFP to pre-qualified architects and real estate consultants in the northeastern United States. ECIC indicated in the RFP that the consultant would be responsible for performing a three-phase assignment: design and facilitate a process for developing the strategic facilities plan; prepare the plan; and oversee the plan's implementation. The RFP included little information about the assignment's scope or process.

A & E was not one of the architectural firms originally included on ECIC's list of pre-qualified consultants. Instead, the firm heard about the job through its network of contacts in the real estate industry. Upon learning about the project, a BSD Regional Director contacted Jones to discuss the assignment and market the BSD's services. Jones subsequently invited A & E to submit a service proposal. The Regional Director recalled the selection process that followed:

"We went through a competitive process and were selected after a series of short list interviews and all the other traditional ways of getting work, e.g., preparing a service proposal and making marketing presentations. That was somewhat unusual for a strategic facilities planning assignment."⁷⁵

A & E's fee arrangement with ECIC was typical of those for strategic facilities planning services. A & E gave ECIC an estimated fee and billed the company on a time and materials basis. The Regional Director noted that A & E requested a fee adjustment whenever the assignment scope changed—a common occurrence. These requests were usually approved by ECIC.

⁷⁵Regional Director, Building Strategies Division, A & E Design Associates, interview by author, August 23, 1994.

Engagement Activity

A & E's project team began working to develop a strategic planning process in September, 1993. Its team included BSD staff and a real estate consultant hired by A & E. The real estate consultant was responsible for financial modeling, identifying relocation issues, and gathering data relative to land and rental costs. Initially, BSD staff worked with Jones, ECIC's Vice President in charge of Human Resources, and its Executive Committee comprising the CEO, President, and several other senior-level executives. Why were ECIC's senior executives so deeply involved in the assignment? The Regional Director explained:

"Because it involved a whole lot of money for a closely held company. When you're dealing with tens of millions of dollars, most of the people on the Executive Committee and in the boardroom want to be involved."⁷⁶

Over a period of two months, BSD staff worked closely with ECIC's senior executives to identify the issues that impacted the development of ECIC's facilities. These included the company's work processes, technology systems, products and markets, and evolving business plan. The Division also interviewed senior members from ECIC's two major Operating Divisions (Insurance Type A and Insurance Type B) in an effort to learn how the changed business plan would affect their work processes. These changes were important because they affected facility requirements that had to be addressed in the strategic facilities plan.

Once BSD's team had gathered all necessary data, they facilitated an interactive goals and objectives session with members of the Executive Committee. Goals were listed on large sheets of paper pinned to a wall and subsequently ranked and prioritized. The Regional Director explained that an important by-product of this process was the identification of conflicting goals and the consensus building that followed:

⁷⁶Ibid.

“For example, a specific goal might be to complete and occupy a building before the end of the year. Another goal might be to not spend more than \$20 million on that building. Well, these goals might conflict because, if you have to occupy the building that soon, you might have to pay a premium over the \$20 million budget. It is the resolution of conflicting goals that helps [the architect] shape the planning process.”⁷⁷

A & E recommended a strategic facilities planning process model known as a sequential step plan. Its recommendation was accepted and the BSD started developing sequential step plan that would comprise a chronologically sequenced series of facility-related tasks custom-tailored to meet ECIC’s planning criteria, goals and objectives. The plan would have three separate components:⁷⁸

1. *Alternative Occupancy Strategy.* Provide ECIC with an analysis of the corporate departments that were “headquarters critical” and recommended alternative plans to decentralize staff into regional service centers.
2. *Field Office Planning.* Develop long term occupancy plans for field offices within the context of customer service, consolidation opportunities, and the impact the regional service center development would have on the specific field offices.
3. *Highest and Best Use of Headquarters Building.* Provide development recommendations to ECIC for their Hartford headquarters operation within the framework of an overall corporate facilities plan that included the long range plans for regional service centers and field offices.

⁷⁷Ibid.

⁷⁸Building Strategies Division Brochure.

A & E expected to complete ECIC's strategic facility plan by October, 1994. Following ECIC approval, A & E would oversee the two-year implementation process.

Engagement Evaluation

A & E sought client evaluation by asking clients to participate in "total quality improvement" (TQI) sessions. These meetings were held approximately every three months during an engagement period, generally lasted two hours, and were usually hosted by the head of A & E's Regional Office. The BSD Regional Director described a typical session:

"We sit down and ask, 'how are we doing?,' 'are your goals and expectations being met?,' 'are we on budget?,'—those kinds of questions."⁷⁹

A & E surveyed client satisfaction between TQI sessions by regularly taking clients to lunch.

A & E noted that ECIC would realize three important benefits from the new strategic facilities plan. First, it marked the change from a reactive to a proactive position in the company's approach to planning field office operations. Second, ECIC would be able to proceed with a planned renovation to its Hartford headquarters building with the confidence that its long-term use would support the company's new business plan. Finally, it would integrate the corporate facilities plan with the new business plan leading to "consistency of purpose in the company's long-range planning effort."⁸⁰

⁷⁹Regional Director, Building Strategies Division, A & E Design Associates, interview by author, August 25, 1994.

⁸⁰A & E Building Strategies Division Brochure.

CHAPTER 4: ANALYSIS OF FIELD DATA

Chapter 4 analyzes how the three architectural firms presented in Chapter 3 have adapted to handle strategic assignments outsourced by corporations. It also compares handling of strategic assignments across similar firms. It is important to note that the analysis focusing on each firm's strategic work is based on one representative assignment.

Case #1: ABC Design and Construction

ABC's first strategic assignment in 1988 involved helping a large national accounting firm—an important repeat client—align its space needs and evolving business plan. ABC had neither marketed its ability to perform this specific service nor made advance preparations to do this particular work. Like all of ABC's work on strategic assignments, this assignment was handled on a case-by-case basis. ABC's later work on strategic assignments focused primarily on alternative officing. By 1994, it had established a reputation for doing work in this area. The Director of ABC's Commercial Market Center decided that, within the strategic sphere, the firm would emphasize complete alternative office planning, design, and construction oversight services. The Commercial Market Center's desire to oversee all phases of these assignments might have stemmed from ABC's design/build strategy and its history of performing all services from facility programming through project construction.

The Commercial Market Center handled both tactical and strategic facilities assignments outsourced by corporations; it had not established a separate unit to handle strategic assignments, nor did it intend to do so. Its designers had historically handled alternative officing assignments by drawing upon ABC's technical staff and hiring outside consultants to perform discrete portions of work, e.g., analyzing the psychosocial impact of a design. The Commercial Market Center planned to expand its market share for alternative office strategy design services by hiring additional employees. One new hire, a senior-level architect with experience in leading clients through the strategic planning process, would help the Commercial Market Center develop an appropriate marketing strategy. The others would be designers

who were “versatile” (i.e., smart, experienced, and knowledgeable in the areas of organizational behavior and technology). These people would have most of the skills necessary to handle the Commercial Market Center ‘s growing alternative officing consulting business. It is important to note, however, that, even with this additional staff, the Commercial Market Center would continue to rely upon ABC’s technical staff and third-party consultants for help in completing this work. This is further evidence of the interdependencies associated with some strategic assignments outsourced by corporations. Even a company with the depth and breadth of resources of ABC must occasionally rely on outside resources for help in completing some strategic assignments.

It was clear from the ABC case that clients consider factors other than skill sets when making their strategic assignment engagement decisions. For example, in discussing ABC’s first strategic assignment, the Commercial Market Center Director noted the importance of its long-term relationship with Accounting Firm. She believed that Accounting Firm asked ABC to do its 1988 space needs assessment project because the two companies had worked together successfully before; ABC knew the client and could serve it faster and more effectively.

An activity that clearly did not go as smoothly as the Commercial Market Center Director might have hoped was fee negotiations. To the Director, MAF’s use of rules-of-thumb for calculating ABC’s fee was more appropriate for a tactical space planning project than a complex alternative officing assignment. As stated earlier in this paper, one of the biggest challenges architects face on strategic assignments is convincing clients that traditional methods of calculating fees are usually not appropriate for strategic assignments. As demonstrated in the case, MAF’s Chicago office assignment required more senior-level staff time than most traditional tactical assignments. In light of this fact, it is surprising that the fee arrangement was ultimately determined using traditional methods.

Because of the Chicago office assignment’s complexity, ABC’s senior level people were deeply involved during the engagement activity stage. As the Commercial Market Center Director noted, this kind of work requires experience. MAF’s senior-level executives were also active participants in the planning and design activities. The Commercial Market Center Director

explained that MAF's senior executives were deeply involved because they were the architects behind the organizational changes that drove the innovative office concept. The participation by MAF's senior executives not only gave Commercial Market Center's designers, "the incentive to push the edges," it also gave them the opportunity to learn how their design proposals would impact MAF's new work processes.

ABC's other work on the Chicago office assignment also involved a high degree of learning. Senior-level designers spent considerable time learning how MAF's computer systems were organized and how often employees occupied their offices. The Commercial Market Center also hosted interactive workshops in which they asked junior and mid-level employees questions like, "what is a day in the life of [an accounting professional] like?," and "how do you learn?" These types of activities provide ample support for the proposition that architects must facilitate a highly interactive process of mutual learning on strategic assignments; clearly, ABC performed the role of process consultant throughout much of the engagement period.

The Commercial Market Center's primary means of eliciting client feedback relative to the engagement process was through informal personal communication between the primary client-architect participants. Towards this end, the Commercial Market Center Director noted the importance of establishing a close working relationship with the client.

Case #2: Crackerjack Architects

Crackerjack established its Strategic Facilities Planning Group in 1987. The move was made in response to corporate client requests for broad business-oriented facilities analysis. This meant evaluating a client's facilities from the standpoint of the company's organizational structure, human resources, and real estate and financial positions. From the beginning, Crackerjack did not limit its services on strategic assignments to any one particular area of practice. Instead, the firm's Strategic Facilities Planning Group operated more like a management consulting practice that worked to "align a company's short-term and long-term plans for acquisition, management, or disposition of facilities with its business plan."⁸¹ A typical Strategic Facilities Planning Group assignment involved facilitating a client's

⁸¹Crackerjack Architects' Strategic Facilities Planning Group promotional literature

decision-making process prior to a commitment by the company to buy, lease, design, or build any facilities. The Strategic Facilities Planning Group concentrated its efforts on the initial planning phases of its clients' real estate initiatives. As one Strategic Facilities Planning Group Director noted, "in strategic planning what we are offering are not production services, but truly consulting expertise." Initiatives that evolved into design and/or construction assignments would be handled either by another practice area or a different architectural firm.

The Strategic Facilities Planning Group acquired the skills necessary to handle strategic assignments in three different ways. First, many staff had backgrounds in both design and business prior to joining the Strategic Facilities Planning Group. Second, those that didn't have any business experience either learned on-the-job or pursued formal training at a number of institutions of higher-learning. Strategic Facilities Planning Group staff were required to have, at least, a cursory understanding of real estate, finance, technology, and organizational structure. The Strategic Facilities Planning Group's goal was to develop a staff that had combined business and design skills. Finally, Crackerjack formed strategic alliances with outside consultants if additional specialized skills were necessary to complete a particular strategic assignment. Crackerjack's strategy enabled the Strategic Facilities Planning Group to provide a broad range of consulting services yet adapt to meet the requirements of highly specialized assignments on an as-needed basis.

Clothing Etc. contacted Crackerjack in 1992 about its HQ 2000 project not only because the Strategic Facilities Planning Group possessed the skills to develop the company's planning process, but also because of a previous working relationship. Clothing Etc.'s Vice President of Administrative Services, Jane Rogers, had worked with Crackerjack's most senior strategic planner, Ted Lars, on Clothing Etc.'s Seattle headquarters in 1985. When Rogers was given responsibility for the HQ 2000 project, the first architect she contacted was Lars. Previous working relationships like these accounted for the majority of Strategic Facilities Planning Group's new work.

The Strategic Facilities Planning Group initial work of developing a process for planning Clothing Etc.'s HQ 2000 project was done on an informal basis. Crackerjack was not paid for these efforts; it viewed this initial process as new business development. In early 1993, Clothing Etc. decided to begin

strategic planning and hired Crackerjack to do the work. The parties subsequently agreed to a two-stage fee structure. Crackerjack was to be paid on a time and materials basis for the first three to four weeks while the project scope was being defined and a fixed-fee basis thereafter. Ultimately, Crackerjack remained on a time and materials basis throughout the project duration because the scope kept changing.

Strategic Facilities Planning Group staff were highly skilled and had considerable experience; according to a Strategic Facilities Planning Group Director, the Strategic Facilities Planning Group's work could be completed only by people who possessed these qualifications. This certainly was the case with Clothing Etc.'s HQ 2000 project. During the initial orientation period, Crackerjack learned about Clothing Etc.'s culture, business plan, and strategic objectives in a series of interviews and workshops with Rogers and other Clothing Etc. senior executives. Forest noted that Clothing Etc.'s senior executives worked closely with Strategic Facilities Planning Group staff throughout the engagement period because the team was involved in making policy decisions—not implementation decisions. Crackerjack concluded the orientation period by documenting information that it had gathered. Forest recalled, however, that Crackerjack continued to learn about Clothing Etc.'s culture, organization, and objectives over the remainder of the assignment period.

Crackerjack facilitated mutual learning and discovery throughout the data-gathering phase. In this regard, Crackerjack's workshop with senior managers from throughout the company was an excellent example of process consultation. The workshop began with Crackerjack's multi-media presentation of alternative design concepts and methods of performing work. This was followed by an interactive discussion in which Crackerjack posed questions like "what is the nature of work today?," "what is performance in a creative environment?," and "where is work going?" Ideas were recorded on large sheets of paper pinned to the wall. Later, Crackerjack engaged workshop participants in a "visioning exercise" in which it asked "what does a facility need to be?," and "what's the next generation of the company?" These activities were followed by Crackerjack's guided tour of several organizations that utilized alternative officing strategies. Crackerjack and its real estate consultant gathered cost information on the five headquarters development

options while the interviews and workshops were conducted.

Once data were gathered and analyzed, Crackerjack presented its analysis to Clothing Etc. executives and facilitated consensus building within the project team. The process that followed ultimately led Clothing Etc.'s executives to recommend the construction of a new facility in Phoenix, Arizona. Unfortunately, Clothing Etc.'s parent company, Outerwear International, would not fund the \$65 million project because its stock price had dropped so precipitously. The project team subsequently charted a new course that focused on developing a short-term tactical solution that would, it hoped, hold Clothing Etc. over until Outerwear's stock price improved to the point that it would fund the ambitious project.

Crackerjack had two different strategies for seeking client evaluation and feedback. The first was a formal approach that involved asking client to respond to "report cards" that were sent on a monthly basis during an engagement period. The second approach was more informal, and involved one or more of Crackerjack's senior staff members taking clients to lunch.

Case #3: A & E Design Associates

A & E developed its strategic facilities planning discipline in anticipation of reduced demand for its core programming and design services. Strategic facilities planning, it believed, was a natural extension of its expertise and experience in facilities programming. A & E's Building Strategies Division was established in 1992. The Building Strategies Division's work on strategic assignments was not limited to any one particular area. Its broad objective was to "create facilities strategies which contribute to an organization's overall financial and operational success."⁸² The Building Strategies Division's areas of practice included facilities management consulting, facilities research, facility programming, design review, and workplace improvement and accommodation strategy services. Real estate initiatives that evolved to the point of requiring design and/or construction services were handled either by another Group or a different architectural firm.

The Building Strategies Division handled its diverse strategic assignment work by building a staff with a myriad of skills. In addition to

⁸²A & E Building Strategies Division promotional literature.

taking some architects and facilities programmers from A & E's Planning Group, the Building Strategies Division hired individuals from the management fields of organization and operations analysis, human factors and behavioral research, policy and strategic planning, financial analysis, and computer technology. Even with skills as diverse as these, however, the Building Strategies Division occasionally worked with outside consultants on some of its strategic assignments. It subcontracted parts of jobs, formed strategic alliances, and joint-ventured with outside consultants including real estate specialists, finance experts, and, occasionally, even other architects. In 1994,

A & E acquired Connor Associates, a nationally known programming, strategic planning, and design firm with 250 architects, planners, and programmers. The Building Strategies Division's staff size, skill set, and market share all grew with the addition of Connor's Advance Planning Group.

Building Strategies Division's outside consultants were not only a source of talent, they were also the source of approximately 50% of Building Strategies Division's new business. The East Coast Insurance Corporation (ECIC) strategic planning assignment is one example of how Building Strategies Division's networking with consultants led to new work. The Building Strategies Division initially learned of ECIC's strategic planning services request for proposal through a referral from one of its real estate consultants. Building Strategies Division followed up on the referral, convinced ECIC to let it submit a service proposal, and, eventually, won the commission. Although it was unusual for the Building Strategies Division to get new commissions by responding to requests for proposal, it did get most of its new business by using proactive marketing strategies like the one described above. The Building Strategies Division's fee arrangement with ECIC was typical of those for its strategic facilities planning services. The Building Strategies Division gave ECIC an estimated fee and billed the company on a time and materials basis throughout the assignment duration. Whenever the scope changed—a common occurrence—the Building Strategies Division requested a fee adjustment. ECIC usually approved these requests.

The Building Strategies Division's work typically required considerable one-on-one client contact. The Building Strategies Division Regional

Director noted that this meant that staff had to have experience, skill, and an ability to think on their feet. These skills were tested on the ECIC strategic facilities planning assignment when Building Strategies Division staff worked closely with ECIC's senior executives to identify the issues that would impact the development of ECIC's facilities. These included the company's work processes, technology systems, products and markets, and evolving business plan. The Building Strategies Division Regional Director reported that so many of ECIC's senior-level executives were involved in the assignment because of the cost implications of the decisions being made.

Once the data gathering stage was complete, the Building Strategies Division team, in classic process consultation fashion, facilitated an interactive goals and objectives session with members of ECIC's Executive Committee. Goals were listed on large sheets of paper pinned to a wall and subsequently ranked and prioritized. An important part of this process was the identification of conflicting goals and the consensus building that followed. The Building Strategies Division Regional Director noted that it was the resolution of conflicting goals that helped the Building Strategies Division shape the planning process."

Once ECIC's goals and objectives were clarified, the Building Strategies Division recommended that a strategic facilities planning process model known as a sequential step plan. Building Strategies Division's recommendation was accepted and the Building Strategies Division started developing a sequential step plan that would comprise a chronologically sequenced series of facilities-related tasks custom-tailored to meet ECIC's planning criteria, goals, and objectives. The plan would comprise three components: alternative occupancy strategy, field office planning, and highest and best use of ECIC's headquarters building. The plan was scheduled to be completed by October, 1994.

A & E had two different strategies for seeking client evaluation and feedback. The first was a formal approach that involved client participation in total quality improvement (TQI) sessions. These meetings were held approximately every three months during an engagement period, generally lasted two hours, and were hosted by the head of A & E's Regional Office. The second approach was more informal, and involved one or more of A & E's senior staff members taking clients to lunch.

CASE STUDY VARIABLES MATRIX			
	ABC	CRACKERJACK	A & E
Strategic Services	<ul style="list-style-type: none"> • Emphasized alternative officing. Also did space needs assessments. • One-stop shopping strategy: Preferred to provide both consulting and implementation services on all its alternative officing assignments. 	<ul style="list-style-type: none"> • Comprehensive consulting practice. Did planning that involved aligning a company's space needs with its business plan. • Separated clients' real estate initiatives into consulting and implementation assignments. 	<ul style="list-style-type: none"> • Comprehensive consulting practice. Did planning that involved aligning a company's space needs with its business plan. • Separated clients' real estate initiatives into consulting and implementation assignments.
Skill Set Development	<ul style="list-style-type: none"> • Handled strategic assignments on an ad hoc basis. • Planned to hire senior and "versatile" staff to handle greater number of alternative officing assignments. • Drew heavily on ABC's technical expertise. • Hired outside consultants, e.g., psychosocial, on an as-needed basis. 	<ul style="list-style-type: none"> • Hired people with both business and design skills. Staff had, at least, a cursory understanding of real estate, finance, technology and organizational structure. • Provided some on-the-job business training. • Formed strategic alliances with outside consultants including technology, real estate, and finance. 	<ul style="list-style-type: none"> • Moved people from the programming unit. • Hired people with very diverse backgrounds. • Worked with outside consultants on an as-needed basis. • Purchased another firm that had strategic facilities planning component.
Internal Organization and Approach	<ul style="list-style-type: none"> • Provided all services for alternative officing assignments. • No plans to form separate group to handle strategic assignments. • Most vertically integrated of the three firms surveyed. 	<ul style="list-style-type: none"> • Formed separate unit to handle planning phase of work. • Viewed real estate initiatives as two separate assignments: planning and implementation. Willing to do one or both phases. • Focused exclusively on architectural services. 	<ul style="list-style-type: none"> • Formed separate unit to handle planning phase of work. • Viewed real estate initiatives as two separate assignments: planning and implementation. Willing to do one or both phases. • Firm somewhat vertically integrated.
Marketing Strategy	<ul style="list-style-type: none"> • 20% of CMC's strategic work came from responding to RFPs. Majority of work originated by CMC. • Planned to market services to clients working with ABC's other business units. • Planned to hire a senior-level person to help develop marketing strategy. • Repeat clients significant source of new business. 	<ul style="list-style-type: none"> • 30% of SFPG's work came from responding to RFPs. SFPG originated most of its own work. • Pitched services to highest level person in organization undergoing change. • Repeat clients significant source of new business. 	<ul style="list-style-type: none"> • 20% of new work gained through exposure at major conferences: IFMA, IDRC, etc. • 50% of work came from networking with consultants. • 20% of work was for repeat A & E clients. • 10% of work came from responding to RFPs

	ABC	CRACKERJACK	A & E
Fee Arrangement	<ul style="list-style-type: none"> • Fixed fee on representative project. • Preferred to structure fee on an hourly basis. 	<ul style="list-style-type: none"> • Estimated fee based upon anticipated scope and historical data. Time and materials basis throughout project definition period. Then fixed. 	<ul style="list-style-type: none"> • Estimated fee based upon anticipated scope and historical data. Time and materials basis throughout project.
Whom did the architects work with on strategic assignments and why?	<ul style="list-style-type: none"> • Senior level executives because they are typically driving organizational changes. 	<ul style="list-style-type: none"> • Senior level people “because the decisions are policy, not implementation decisions.” 	<ul style="list-style-type: none"> • Senior level executives because assignments “involved a whole lot of money.”
Implications of participation by clients’ senior executives for architectural firm staff.	<ul style="list-style-type: none"> • Director was primary contact. • “Definitely becoming the requirement that senior level people work on the initial thinking phase” of a project. • Gave ABC “the incentive to push the edges.” 	<ul style="list-style-type: none"> • Staff had to be experienced and highly skilled. • Strategic Planners “need to understand what a senior-decision maker needs to know & when.” 	<ul style="list-style-type: none"> • “There is a lot more one-on-one with the client” • Work “requires skill, experience, and an ability to think on one’s feet.”
Collaborative Approach	<ul style="list-style-type: none"> • Highly interactive. • Work-sessions: process consultation approach. • Walked clients through work-style implications of design decisions. • Full-scale mock-ups of new office spaces. • Got “buy-in” by including staff in pilot development. 	<ul style="list-style-type: none"> • Orientation period: Learning about the organization. • “Visioning exercises” and interactive workshops: high level of process consultation. • Built consensus in workshops and meetings. 	<ul style="list-style-type: none"> • Learning about the organization. • Interactive goals and objectives session: process consultation. • Consensus building drove process.
Engagement Evaluation	<ul style="list-style-type: none"> • Informal and intuitive: “knowing how it feels.” 	<ul style="list-style-type: none"> • Report cards. • Taking client to lunch. 	<ul style="list-style-type: none"> • TQI sessions. • Taking client to lunch

CASE STUDY CROSS COMPARISON

Strategic Services

All three architectural firms studied for this project started working on strategic assignments during the late 1980s and early 1990s. To varying degrees, they exploited the growing corporate demand for strategic consulting services. ABC concentrated on the alternative officing segment of the market for strategic assignments; Crackerjack and A & E’s service strategies were more broadly focused. It is interesting to note that ABC did not establish a separate unit to handle its strategic assignments, yet Crackerjack and A & E

did. Whether there is any correlation between the firms' service strategies and their decisions to establish separate units would be an interesting topic for further research.

Skill Set Development

All three firms used non-traditional skills in their work on strategic assignments. The manner in which the necessary skill sets were developed, however, varied by firm. Many of Crackerjack's Strategic Facilities Planning Group staff had backgrounds in both design and business; designers who didn't have business skills either learned on-the-job or pursued formal training. A & E's Building Strategies Division was made up of individuals from a number of specialized fields. ABC's Commercial Market Center was staffed exclusively by designers. The Commercial Market Center planned to expand its market share for alternative office strategy design services by hiring additional senior-level designers with some experience in leading clients through the strategic planning process. The Commercial Market Center brought additional skills to bear on its strategic assignments by drawing upon ABC's pool of highly skilled technical staff. A & E obtained additional skills for use on strategic assignments by acquiring Connor Associates; this was the most unusual method that was observed. The one area of consistency was the use of third-party consultants. Every firm surveyed routinely drew upon outside experts for help in completing at least some of their strategic assignments.

Internal Organization and Approach

The three firms were different in their internal organization and philosophies. ABC was the most vertically integrated firm of the three. It also was the only firm that did not form a separate unit to handle strategic assignments. It preferred to handle all services from planning to construction and likely led ABC to adopt its one-stop shopping strategy of marketing alternative officing services. Crackerjack was the least vertically integrated firm of the three surveyed; it provided architectural services only. In 1987 it formed the Strategic Facilities Planning Group to handle the strategic planning phase of its corporate clients' real estate initiatives. Strategic real estate initiatives that evolved to the point of requiring design and/or

construction services were handled by either one of the firm's other units or a different architectural firm altogether. A & E was a vertically integrated architecture engineering firm (A/E). In 1992 it formed the Building Strategies Division. Like Crackerjack's Strategic Facilities Planning Group, A & E's Building Strategies Division handled the strategic planning phase of its corporate clients' real estate initiatives. Strategic real estate initiatives that evolved to the point of requiring design and/or construction services were handled by either one of the firm's other units or a different architectural firm altogether.

Marketing

All of the firms were proactive in pursuing strategic commissions. None of the firms developed more than 30% of its strategically focused business through a traditional RFP process. In the case of ABC, repeat clients accounted for the majority of its work. Merged Accounting Firm was one of the Commercial Market Center's most important clients, and represented a significant source of the Commercial Market Center's alternative officing commissions. The Commercial Market Center planned to develop additional new business by marketing its services to ABC's other business segment clients. Crackerjack's marketing efforts were carried out by the individuals who would ultimately be assigned to a particular assignment. In the case of the Strategic Facilities Planning Group, it succeeded by pitching its services directly to client prospects; only 30% of its business came from responding to RFPs. Much of the Strategic Facilities Planning Group work was for repeat clients. A & E's Building Strategies Division got only 10% of its work through responding to RFPs. The Building Strategies Division gained the remainder of its work through exposure at real estate industry conferences, e.g., IFMA, IDRC, (20%); networking with consultants and professional contacts (50%); and repeat A & E clients.

Engagement Activity

All three firms had similar engagement activity processes. Each firm began an assignment by learning about their client's organizational structure, business plan, culture, and other matters pertaining to its corporate client. The period that followed was always characterized by a high level of client-

architect interaction. During this data-gathering phase, all architects facilitated mutual learning by asking client-participants open-ended process questions that ranged from “what are the company’s goals and objectives,” to “what is work in a creative environment?” In all cases there was considerable participation by people from all levels within the various organizations. In short, the architects acted as process consultants on their representative strategic assignments. The high degree of participation by such diverse individuals made the need for consensus building skills apparent. The architects and their consultants also employed traditional data gathering methods. These included performing office field visits, real estate cost investigations, and facilities surveys.

Once this work was complete, the architects typically analyzed data and developed a number of options that met the goals and objectives identified during the previous stage. These were then presented to clients for review and comment. In the case of ABC and Crackerjack, it was apparent that the architects expended considerable effort explaining to their clients the implications of the various options and, again, working to develop consensus within the group. ABC’s consensus building efforts on MAF’s Chicago offices were extraordinary. Commercial Market Center staff led clients through multiple full scale mock-ups of various office designs and designed pilots that showed MAF’s staff how the sophisticated office’s technology systems would operate. All of these efforts were intended to elicit client feedback and participation in the planning process. Because the representative assignment in A & E’s case was in-process at the time of this writing, there is no data on whether it engaged in a second round of consensus building.

Engagement Evaluation

Crackerjack and A & E both had formalized systems of eliciting client feedback about their work. Crackerjack queried clients on a periodic basis during engagement activity. A & E hosted quarterly TQI meetings with its clients. ABC did not have a formalized system; it relied upon an informal and intuitive approach. Crackerjack and A & E both had a policy of taking clients to lunch in an effort to elicit client feedback in an informal setting.

Summary

It is clear from the data that the architects working for the three firms acted as process consultants. They facilitated highly interactive processes that enabled their clients to understand and, ultimately, act upon process events in their organizations. They created frameworks and methods for eliciting client input that were used to develop facilities strategies that added value to the client organizations and helped them realize their business objectives. The activities at all three sites were characterized by a process of continuous client-architect learning. Finally, to varying degrees, all three firms learned from their clients by seeking feedback both during and after the assignment.

CHAPTER 5: CONCLUSIONS

The three architectural firms surveyed present an interesting basis for comparing different approaches to adapting to the changing corporate market for third-party architectural services. What insights can be gleaned from this research? What lessons can be learned?

1. *Architectural firms enjoy considerable flexibility in how they exploit the expanding market for strategic real estate consulting services.* The market for services related to helping corporate clients align their real estate and business strategies is broad. Architectural firms can target either a wide or narrow segment of this market. For example, ABC focused on a narrow segment of the market with its decision to concentrate on developing alternative officing strategies. By contrast, Crackerjack and A & E both offered comprehensive strategic planning services geared towards aligning their clients' space needs and business plans.

2. *Architectural firms have considerable flexibility in the scope of services they offer on strategically-focused corporate real estate initiatives.* One approach is to offer the full spectrum of services necessary to take clients' strategic real estate initiatives from inception to construction completion. ABC's method of handling alternative officing assignments from initial planning through implementation is an example of this strategy. By contrast, there is also a market for partial services on companies' strategic real estate initiatives. Both Crackerjack and A & E formed specialized units within their organizations that focused exclusively on the planning phase of these initiatives. Real estate initiatives that evolved to the point of requiring design and/or construction services were handled by either one of the firm's other units or a different architectural firm altogether. This service strategy enabled A & E and Crackerjack to provide any range of services that was necessary to satisfy their corporate clients' particular service needs and preferences.

3. *There are links between an architectural firm's repertoire of strategically-focused services and the manner in which it adapts to provide them.* All of the firms studied acquired non-traditional skill sets to handle their strategic assignments. The manner in which each firm acquired these

skills, however, was a function of its particular market strategy and organizational structure. ABC drew primarily upon its extensive internal resources and occasionally hired highly specialized consultants to help it complete its alternative officing strategy assignments. This was a logical approach for a highly-vertically integrated company with a focused business strategy. In contrast, Crackerjack provided architectural services only. It developed its Strategic Facilities Planning Group to provide a broad array of consulting services intended to help clients formulate responses to business issues that involved facilities. Strategic Facilities Planning Group staff comprised, therefore, consultant generalists with combined business and design skills. On most of its assignments, Crackerjack supplemented these skills by working with an extensive network of third-party consultant specialists.

It is interesting to compare the manner in which A & E and Crackerjack adapted to handle strategic assignments. Like Crackerjack, A & E provided a broad range of consulting services on strategically-focused real estate assignments. Its Building Strategies Division developed facilities strategies that contributed to an organization's overall financial and operational success. Unlike Crackerjack, however, A & E was a vertically integrated architecture and engineering firm. This is a plausible explanation for why the two firms adapted differently to handle similar work. Initially, A & E adapted to handle this work by developing an interdisciplinary staff of experts from a variety of fields. Later, the Building Strategies Division's skill set, staff, and market share grew even larger when A & E acquired Connor Associates. Because the Building Strategies Division's staff comprised experts from many different fields, it did not rely upon outside consultants as often as Crackerjack.

4. *Architectural firms that seek to exploit the changing corporate market for third-party consulting services must re-evaluate their marketing efforts.* Traditionally, firms concentrated their efforts on winning commissions through a competitive RFP process that frequently included many competitors. They also developed long-term service relationships with people within a company who were responsible for overseeing project design and implementation. In order to win work that is focused on strategic objectives, however, firms must target the people who initiate and manage

organizational changes geared towards making their companies more competitive in today's business environment. The cases clearly demonstrated that strategically-focused assignments stemming from these kinds of organizational changes are usually initiated by senior level decision-makers. The individuals responsible for these changes are also typically deeply involved in the architect selection process.

Though, in pursuing strategically focused work, the importance of making contact with a company's senior level decision-makers is clear, architects must carefully balance their marketing efforts. Most tactical work and, as the cases demonstrated, even some strategic work, is still outsourced using a traditional RFP process. Responding to RFPs and maintaining previous working relationships with implementation-oriented staff will likely remain an important strategy for getting most tactical and some strategic assignments. Moreover, the A & E case showed that having networks of contacts in other professions is a potentially rich source of new strategic business leads. Architectural firms that want to fully exploit all business opportunities the corporate market offers must develop a multi-faceted marketing strategy.

5. *Architectural firms that work on strategic assignments must manage expectations in a work environment that is amorphous and highly flexible.* As noted above, organizational changes are usually the impetus behind most strategic real estate assignments. Under these conditions, strategically focused assignments are typically not well defined; they tend to evolve, usually in a non-linear fashion, with the organizational changes driving them. The unpredictable nature of these assignments has two important implications for architects. First, it is difficult, if not impossible, to establish a fixed fee when the scope of work is indeterminate. The architectural firm should anticipate changes in the scope of work and must, therefore, make fee arrangements that are appropriately flexible, (i.e., easily re-negotiated or time and materials-based). Traditional methods of calculating architectural fees, e.g., percentage of construction costs, are almost always inappropriate for strategic assignments. Second, the architect must anticipate the need to adapt to new roles as their assignments evolve. The cases provided ample evidence of how strategic assignments evolve and affect architects' work. Architects must

ensure that expectations are compatible with the flexible and amorphous work being undertaken.

6. *Finally, Architects who work on strategic assignments need to become process consultants as well as designers.* They need to develop the skills required to facilitate the highly interactive process that leads clients to understand and, ultimately, act upon process events in their organizations. They need to create frameworks and methods for eliciting client input that is used to develop facilities strategies that add value to the client organization and help it to realize its business objectives. Consensus building is an important skill that architects must employ throughout the engagement period. Finally, as noted earlier in this paper, process consultation is characterized by mutual learning. Architects must take advantage of opportunities to learn from their clients by seeking feedback both during and after the assignment.

Architects have historically played an important role in helping corporations realize many of their tactical real estate objectives. It is clear from the research that architects must adapt both their organizations and collaborative techniques in order to successfully handle their corporate clients' strategic real estate objectives. By doing so, they will maintain a hold on the evolving corporate market for third-party architectural services.

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